

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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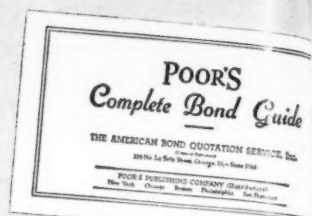
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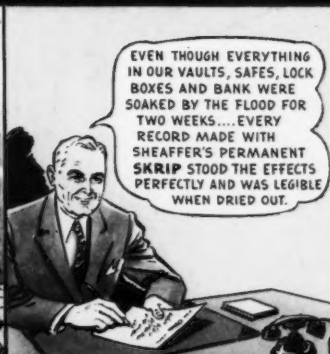


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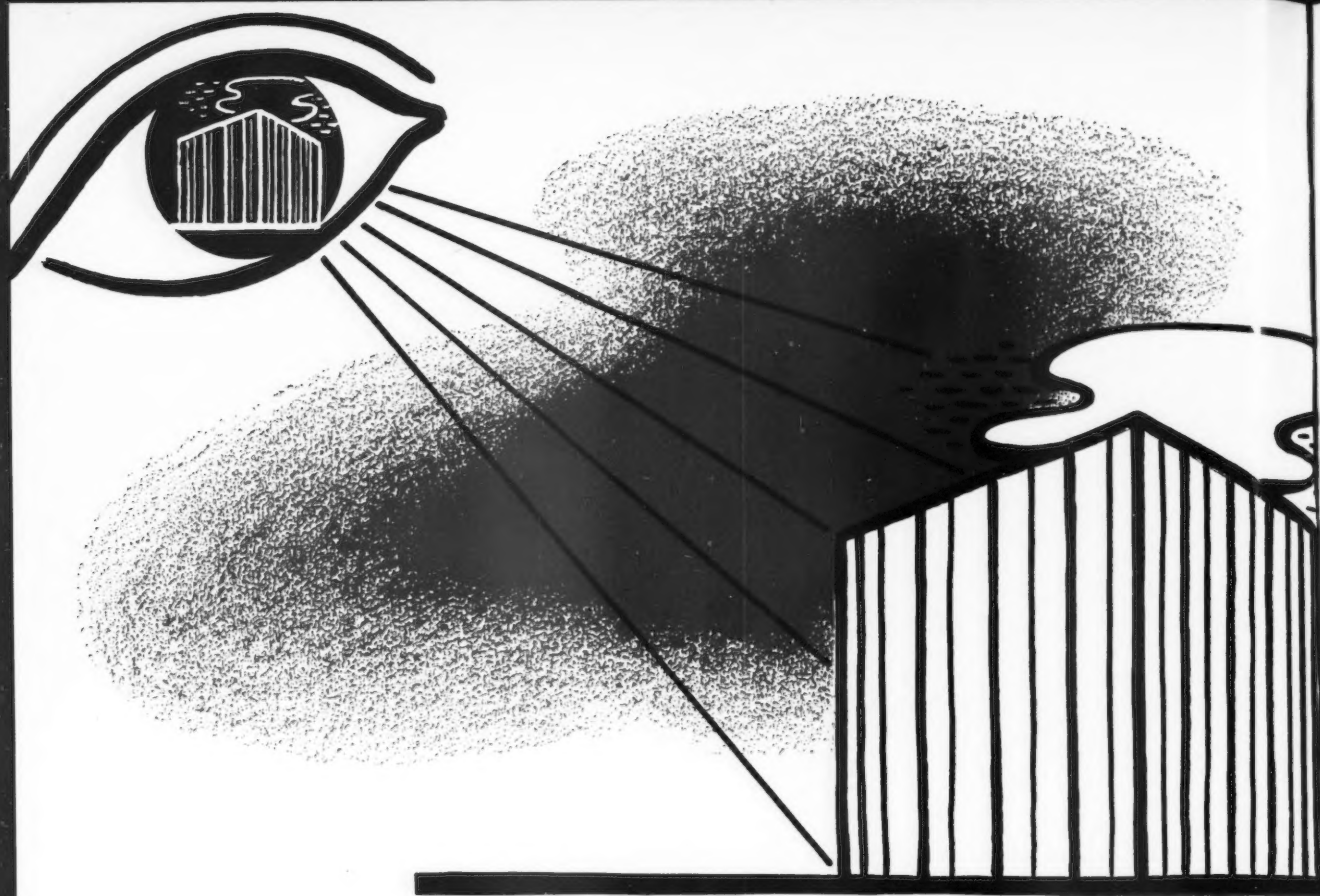
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the whole company...can find ways to reduce costs, increase efficiency, step up production and sales, increase earnings, and improve the general condition of the business.

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The Condition of BUSINESS



THE OUTLOOK. The most satisfactory business signs are confined to industries favorably affected by the war. A dearth of enthusiasm in other quarters is evident and commonly ascribed to nervousness and uncertainty arising from the war and the election.

Without underrating in the slightest the formidable character of these two barriers to confidence, the persistent stalemate in general activity might be explained by reasons which are more realistic but less spectacular. Failure of the real thing—a grass roots recovery—to develop is due in the main, at least, to the fact that capital for new industries and expanding old ones is practically non-existent. War-born uncertainty and election-born hesitancy are minor factors in perpetuating this condition, the seriousness of which can be discovered by inquiry in almost any locality in the country.

RISK MONEY SCARCE. Here is a conversation between a visitor in a middle western town of about 3,500 population and the president of a local bank. It is repeated merely as one of many similar interviews, all very much alike in their conclusions.

Visitor—"What industries do you have here?"

Banker—"A canning plant, a dairy and a cement mixer company."

Visitor—"How old are they?"

Banker—"All of them started more than 15 years ago. The canning plant is almost 30 years old. All of them are doing fairly well."

Visitor—"Who started them and how was it done?"

Banker—"They were all built by local people with local capital, mostly. Take the dairy, for instance. Several people got together and put up a few thousand dollars apiece. The same for the others, generally speaking."

Visitor—"What if somebody wanted to start a new business like that today?"

Banker—"He couldn't get the capital—at least not in this town. Individuals, that is, our depositors, today won't risk their money because if a venture is successful the tax collector, bureaucrat and labor union move in."

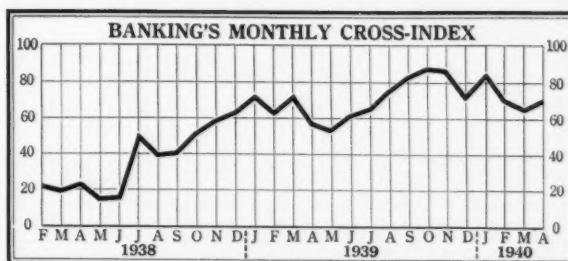
CROSS INDEX. BANKING'S index of the general trend of business, obtained from a poll of 3,000 bank directors and bank presidents in all sections of the country, compared with the previous month, shows a slightly better trend.

Forty-four per cent of those polled for the purpose of this summary said that business was getting better, 37 per cent found conditions about static and 19 per cent reported a decline. The month before, 39 per cent said that the direction was up, 40 per cent reported that their respective enterprises were holding their own, and 21 per cent reported an unfavorable trend.

The composite cross index figure this month stands at 70, compared with 65 last month.

	UP	UNCHANGED	DOWN
November.....	62	28	10
December.....	53	30	17
January.....	55	34	11
February.....	47	33	20
March.....	39	40	21
April.....	44	37	19

WAR AND OUR INDUSTRIES. While the war is having an increasingly important bearing on certain lines of business in this country, the fighting could cease right away without disturbing our productive machinery in any fundamental way.



This index is based on BANKING'S monthly survey of bank directors, a complete record of which appeared on page 1 last month

Up to the present, at least, we are not tied up too much to Europe's war economy and American business could quickly adjust itself to peace.

Judging solely by the stock market record, neither business nor the investing public has made up its mind on which side of the ledger the war belongs. Its actual impact on our trade and industries has been stimulating in certain special fields, such as aircraft, chemicals, shipbuilding and machine tools. But there have been losses as well as profits and the net influence of the war has not been great.

POLITICS AND INDUSTRY. The national election, too, is a big enough hazard but if the contest occurred right away and the results were completely satisfactory to business, most of the country's real problems would still remain. There would be temporary benefits, of course, for when business sees proof that public opinion is swinging definitely from the left to the right, a marked rise in confidence and activities of all kinds will probably occur. High taxes, however, Government competition in many fields, national deficits and quite a legacy of unfriendly legislation would remain.

FAITH AND HOPE. Economy and a balanced budget are only playing dead. The war has pushed these subjects and other domestically unpleasant matters to the inside of the newspapers. Some of these days not too far off we can expect to see the nation's fiscal problem, now under wraps, revealed in all its stark seriousness. Public opinion will demand that Washington put this matter first in the order of business.

HOUSING. The volume of building is lagging a little behind last year but the industry is leaning more and more on the participation of the Government, both in furnishing funds for projects and promoting F.H.A. mortgages. If this turns out to be a good thing it will be amazing. The real estate situation is not going to be genuinely healthy as long as the great debt-honoring middle class feels that it is cheaper to rent than to own.

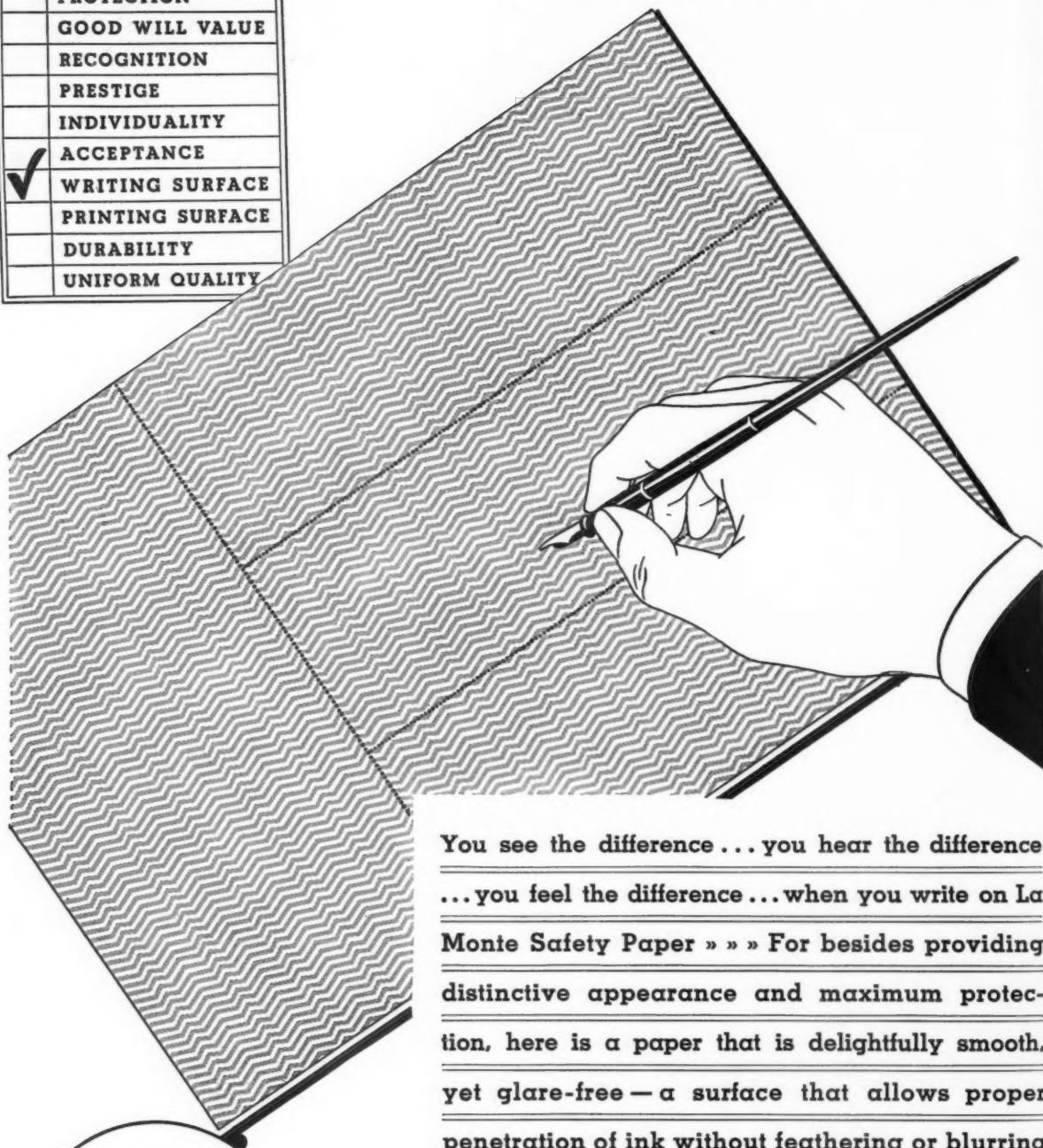
PRICES. The over-stock problem resulting from the war boom of last Fall is still a long way from being solved. The fact that our productive capacity could be stepped up so easily and out-run consumption is another piece of disturbing evidence. Many major industries are still in a position to produce a great deal more than they can sell and it is reasonable to conclude from this fact that the present level of prices is none too secure. Weakness has appeared in some prices in the past month or so and if the tendency spreads buyers will think it's a good time to hold off.

WILLIAM R. KUHN

**REASONS WHY BANKS PREFER
LA MONTE SAFETY PAPER**

<input type="checkbox"/>	PROTECTION
<input type="checkbox"/>	GOOD WILL VALUE
<input type="checkbox"/>	RECOGNITION
<input type="checkbox"/>	PRESTIGE
<input type="checkbox"/>	INDIVIDUALITY
<input checked="" type="checkbox"/>	ACCEPTANCE
<input checked="" type="checkbox"/>	WRITING SURFACE
<input type="checkbox"/>	PRINTING SURFACE
<input type="checkbox"/>	DURABILITY
<input type="checkbox"/>	UNIFORM QUALITY

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... you feel the difference ... when you write on La
Monte Safety Paper » » » For besides providing
distinctive appearance and maximum protec-
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yet glare-free — a surface that allows proper
penetration of ink without feathering or blurring
» » » For 69 years we have been making safety
papers. There is no substitute for experience.



GEORGE LA MONTE & SON, NUTLEY, N. J.

WASHINGTON

"Urban Blighted Areas"

IN keeping with the HOLC's efforts are those of the FHA, which on March 1, 1940, issued new regulations governing the issuance of mortgages for the rehabilitation of "urban blighted areas". This was done following consultation with representatives of life insurance companies, savings banks, savings and loans associations, and real estate boards.

According to FHA, banking and real estate interests have expressed the view that mortgage insurance can become a useful instrument in making possible the restoration to better use and condition of urban neighborhoods blighted by the outward growth of cities, the exodus of population, the infiltration of undesirable factors, and similar conditions. In most cases, they say, all that is needed to rehabilitate such neighborhoods is the renovation of enough buildings in the same locality to create a nucleus or neighborhood of sufficient size to be self-contained and resistant to blighting factors. Several rental experiments along this line have been made and have proved highly successful

Dr. Charles Rist, economic advisor to the French Ministry of Blockade, has been conferring in Washington. U. S. factories have received their largest airplane order recently from the Allies



HARRIS & EWING

in both a financial and a civic sense.

Rehabilitation project mortgages insured by the FHA fall under the regulations of Section 207, the portion of the National Housing Act covering chiefly large-scale rental housing mortgages. In the case of rehabilitation mortgages, the cost of new physical improvements must be equivalent to at least 50 per cent of the mortgage in order to be eligible for FHA insurance.

Rents proposed to be charged after consummation of a rehabilitation program, the FHA states, must be in amounts substantially less than those charged for equivalent facilities in new construction and must meet housing needs and the rental market in the neighborhood, according to FHA specifications. School facilities must be convenient and of a type acceptable to the rehabilitated property tenants. All such dwelling units must contain modern sanitary facilities and have adequate light and ventilation. To be eligible for mortgage insurance, a project must have at least 20 dwelling units, preferably but not necessarily contiguous, so located in relation to one another as to effect a substantial improvement of housing standards and conditions in the neighborhood.

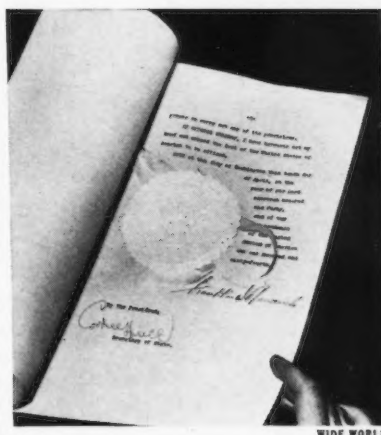
In connection with the new regulations covering rehabilitation mortgages, the FHA interest rate is $4\frac{1}{2}$ per cent on all mortgages insured under Section 207 which amount to \$100,000 or less, covering both new and existing properties.

National Banks in 1939

Earnings figures of national banks for 1939, released in April, show an increase in earnings. Gross earnings increased \$10,562,000, net operating earnings increased \$6,570,000 and net profits before dividends, \$52,927,000, as compared with 1938. The latter 1939 figure was 16.38 per cent greater than for 1938.

The Wagner Bill

Strong criticism of the bill to regulate investment trusts was laid before the



WIDE WORLD

The seal and signature on the Presidential Proclamation that extended the zone into which United States shipping cannot go as a result of the war's extension to Scandinavia

Senate Banking and Currency subcommittee in April by Cyril J. C. Quinn of the Tri-Continental Corporation. The bill, he said, is "only half a bill, the other half being left to future rules, regulations and orders of a Government commission."

Mr. Quinn told the Senators he favored proper governmental regulation of investment companies, recommending a requirement for adequate representation on all boards of directors of persons independent of the management or sponsors; prohibitions against transfer of control without stockholders' approval, loans to or direct dealings with officers, directors or sponsors; a requirement that all management contracts be submitted to stockholders; approval of stockholders for any change in fundamental policy; prohibition against short sales; and requirements for providing shareholders with complete and periodic information. But, he added:—

There are eighty-three delegations of power to the SEC in the forty-two sections of the bill affecting investment companies. I don't argue that all of these delegations are unnecessary or all of equal importance. Some of them must be in an Act of this sort to give necessary elasticity. But there are thirty-five delegations of real importance.

(CONTINUED ON PAGE 5)

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May 1940

THREE KINDS OF MONEY NO MAN SHOULD BE WITHOUT



EVERY man who faces reality finds—eventually—that he really needs not one, but three kinds of money.

Sudden misfortunes such as illness can deal special punishment to the man who is not prepared for emergencies. So, he needs a kind of money that is always ready to his hand—cash in the bank.

For the sake of his family, he needs still another kind of money... money that can shoulder his responsibilities in case of death.

The need for both of these types of money is well recognized. One out of every 3 families in the country has a savings account. One out of every 2 has life insurance.

But today, many people are awake to the urgent need for a third kind of money... money which will be accumulated persistently step-by-step during the years of a man's best earning power to take care of the years that follow. *This* kind of money is, truly, a kind no man should be without.

♦ ♦ The First Step ♦ ♦

If you make a regular and adequate income, yet you still find yourself unable to accumulate money, the first step is to find out *where your money goes*. Keeping a record of what you spend is essential if you want to make the most of your income.

To help you take this first, important step, Investors Syndicate offers, without obligation, a booklet, "Living" Expenses... a simple, easy way to find out where your money goes. This is *not* a budget book. For your copy, mail the coupon immediately to Investors Syndicate. Enclose 10c in coin or stamps to cover handling and postage. Do it *now*!

Home Office, Minneapolis, Minn. Affiliates: Investors Syndicate Title & Guaranty Co., New York; Investors Syndicate, Limited, Canada.

INVESTORS SYNDICATE

Living Protection... Estab. 1894



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Enclosed is 10c to cover cost of handling and mailing.

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MOST HONORED WATCH**

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Today's Longines watches are the finest ever; beautiful in appearance and possessing the characteristic Longines qualities of great accuracy and long life.

LONGINES-WITTNAUER WATCH CO., INC.
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LONGINES "HALL OF FAME"

Hall of Fame man's bracelet, gold filled, 17 j., \$69.50

Hall of Fame L.A. 14K pink and green gold, 17 j., \$69.50

Hall of Fame L.B. 14K pink gold, 17 j., \$69.50

WASHINGTON

Continued

"I am not interested in attacking the SEC," Mr. Quinn testified, "but a business to be regulated has a right to ask that the law governing it be clear, explicit and understandable. You can't expect a business to function or a management to do a good job if a good part of the management's time and effort is spent in trying to guess not only what a law means but in following the daily flow of rules, regulations and orders which can come out of these delegated powers."

Most Important

"What do you consider the most important problem faced by the nation's bankers today?" we asked Mr. Preston Delano. "The government bond market? Interest rates? Excess reserves?"

"Those matters are all important, of course," the Comptroller replied. "They are technical problems. But they are entirely overshadowed by a much more important question which every banker should face. And, unless each of us faces it and thinks about it and solves it, . . . Well, it is this: we live in a terrific era of combat and change. Two sharply conflicting philosophies are jockeying for dominance. The question is, can democracy meet the challenge successfully? And that is where the banker comes in. Every decision he makes involves not only his own selfish interest, but, more important, the public interest. Is it perhaps too idealistic to hope that the banker, in the conduct of his business, will listen to 'the voice over his shoulder'?"

When we suggested that, perhaps

Mr. Delano



Advertising Value

From time immemorial, the theme of bank advertising has been *Safety*. More recently it has emphasized *Service*. But *Service* and *Safety* can be sold thru so many different mediums.

Look at your bank check for example . . . modernized to reflect the up-to-dateness of your banking quarters and equipment. Therefore, properly reflecting the character of your institution as an advertising vehicle.

Now, an opportunity is presented to enlarge the scope of the bank check as a good-will builder. Suppose every merchant who honors a check on your bank could say: "When I cash a check on your Bank, I know two things; first, the person who receives it is a bona fide depositor; second, he can readily be located should anything go wrong."

They could say that if your stock checks were all "Safety Numbered" . . . you'd know to whom every check has been given and have a signed receipt in your files to prove it.

Safety Numbering is not costly and contributes much to *Safety* and *Service*. Write for our booklet and samples of Safety Numbered checks.

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THE SHIELD OF SECURITY

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THE London & Lancashire G R O U P

THE LONDON & LANCASHIRE INSURANCE COMPANY, LTD. • ORIENT INSURANCE COMPANY • LAW UNION & ROCK INSURANCE COMPANY, LTD. • SAFEGUARD INSURANCE COMPANY OF NEW YORK STANDARD MARINE INSURANCE COMPANY, LTD. (FIRE DEPARTMENT) LONDON & LANCASHIRE INDEMNITY COMPANY OF AMERICA

after all that was a big order, the head of the national banking system replied: "Perhaps. But only recently we witnessed, with the outbreak of war in Europe, an example of self-restraint on the part of manufacturers who restrained a rise in prices. That was certainly in the public interest.

"All of us, bankers included, must keep always in mind the existence of a duty broader than the dictates of personal profit. We must consider how our business decisions and actions affect the entire economic structure. In the long run this is a matter that entirely overshadows technical problems of bank operation."

Wage-Hour Definitions

Colonel Philip B. Fleming, Administrator of the Wage and Hour Division, U. S. Department of Labor, when asked to discuss the objectives of the present hearings for BANKING, said:

"The hearings now in progress before Mr. Stein are just another evidence of the fact that the Wage and Hour Division is determined to enforce this law in accordance with the manner that Congress intended at the time the law was passed. When Congress placed the responsibility for defining 'administrative', 'executive' and 'professional', as these terms are applied to exempt categories of workers under the law, on the Administrator, it did not intend that the Administrator would promulgate definitions and then ignore any impractical situations that might result from the definitions. As a matter of fact, when the Administrator made his definitions in Part 541 of the regulations, he included therein a mechanism for change. It was there stated that any person who felt aggrieved by the operation of the definition could file a petition setting forth the manner in which he proposed that the definition be revised.

"It does not necessarily follow that definitions will be immediately promulgated following the hearings now in progress, and it may be that further hearings will be found desirable before action is taken. At the present, however, I favor the method of considering each industry separately, and it is on that program that we are proceeding. I believe the wisdom of this will be apparent to all who stop to consider that if all industries were heard at one general hearing, the record would contain a confusion of testimony and other evidence because evidence applicable to one industry may not, in many instances, be applicable to others."

HERBERT M. BRATTER

BANKING

"Unforeseen events . . . need not change and shape the course of man's affairs"



YOU'RE ON THE SPOT

You're rounding a corner in a strange village hundreds of miles from home. Suddenly, another car crowds you to the curb. Squealing tires and the crash of metal summon a crowd of excited townsfolk. "Just what you'd expect of those out-of-state drivers," a sharp voice calls . . . and the crowd murmurs.

You're on the spot. A stranger among strangers. At such a time a Maryland Service Card in your pocket is a pleasant reminder that you have 10,000 friends on call—

one of them always within easy reach, ready instantly to identify and befriend you.

He is a Maryland agent, an ally who can easily satisfy the authorities anywhere in the United States or Canada that you are covered with automobile insurance . . . and help you continue your journey without annoying delays.

No matter what road you take, you are no farther from a Maryland agent or broker than the nearest telephone or telegraph office. Maryland Casualty Company, Baltimore.

THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents and brokers are equipped to help you obtain protection against unforeseen events in business, industry and the home.



Complete Banking Service

BANKERS TRUST COMPANY

NEW YORK

Member of the Federal Deposit Insurance Corporation

JUST A MINUTE

The Farmer and His Credit

IT'S ALWAYS A pleasure to recommend an article by Mr. Atwood—and none more than this month's discussion of the Government and farm credit. Currently personified by the Jones Bill to reorganize the Federal Land Bank System, here's a subject that vitally concerns the banks and millions of their depositors.

Also, attention is called to the statements made to the House committee by bankers, including A. L. M. Wiggins, chairman of the A.B.A. Committee on Federal Legislation. In stating the Association's position, Mr. Wiggins left no doubt as to how banks feel about the measure. He said:

"The most serious threat to the credit structure of the nation that has yet been offered for the consideration of Congress is contained in the three proposals in this bill . . ."

"Where More Is Meant"

FOR MANY, MANY years government has taken a noisy, expensive interest in the farmer, conferring benefits, subsidies, equalization fees, and even an economy of scarcity, upon him. "Farm aid" is taken as a matter of course, especially when elections are around the corner.

But Mr. WIGGINS sees "more involved in the philosophy underlying the proposals of the Jones measure than the

relief of agriculture. It is difficult to understand (he told the Congressmen) why there is a sudden rush to destroy an existing agricultural credit system that has been operating for 24 years."

It might be added that during many of those years bankers have been rendering "farm aid", not only in lending the farmer money but in helping him put his farming on a more profitable, efficient and business-like basis. This service, developed largely through bankers' organizations, has been progressive, constructive, neighborly, and without benefit of ballyhoo.

Page 34

OUR CONSUMER CREDIT reporter this month is an expert, OTTO LORENZ, who discusses small loan costs from the bank operations standpoint. In addition, WALTER B. FRENCH, A.B.A. Deputy Manager in charge of consumer credit, says banks need more information on this subject.

Also, there is a picture report of the Bankers Association for Consumer Credit meeting at White Sulphur Springs, West Virginia. This is on page 27.

Real Estate

BANKING'S SURVEY of matters having to do with real estate is concluded this month with a report on what bank real estate men the country over think

Study of the new purchasing agent who asked all the salesmen to "come back the first of the month"



-WARREN EVANS, Jr.

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The Homestead, Hot Springs, Virginia, was the scene of the annual Spring Meeting of the A.B.A. Executive Council, April 21-24



about building standards and to what extent bank-owned properties are to be improved this year.

The series, opening with an introductory article in December 1939, has recapitulated the answers to a number of specific problems on real estate as they affect the banks.

Ring the Bell

A PRACTICAL METHOD of putting over a public relations talk was demonstrated to the 1940 Wisconsin banking conference recently by ERNEST L. PEARCE, vice-president of The Union National Bank, Marquette, Michigan.

"Some time ago," he explained to his audience, "I was called upon to make an extemporaneous talk for a service club, and, strangely enough, it clicked. In fact, net results for constructive public relations seemed more successful than other efforts."

The talk, as Mr. PEARCE gave it for

the benefit of the bankers, was titled "How Do They Get That Way?", and it was simply a series of incidents that served, cleverly, interestingly and helpfully, to explain banking to the layman. There were stories about "bankers' hours"—the real ones—and stories about tellers and "over and short" experiences. There were dramatic little anecdotes focusing on "N.S.F.", safe deposit department problems, and work of the other departments with which the public has contact.

"I am confident," said Mr. PEARCE to the Wisconsin bankers, "that any banker can recall similar incidents in his own experience to form the background for a talk which should ring the bell for constructive public relations."

"Let the Critics Criticize"

BANKS AND NEWSPAPERS have at least one thing in common, says the

(CONTINUED ON PAGE 12)

Every ten minutes of the day a mail plane or train is leaving or entering Atlanta—fast service for your items. Correspondent service at the Fulton is accurate, fast, interested. Specify the Fulton for Atlanta and Southeast items.





FIRE COLLECTS TAX

but U & O Exempts Earnings from Hazard's Levy

WHEN fire's steely hand reaches out for tax, it's not "What percent?" or "How much?". Loser may pay *all*. Material damage is but a fraction of loss, for lost also are *invisible* values—earnings, profits, commissions, rents and royalties

If you hold a note backed by business profit, its current worth sinks when fire taxes your borrower's income. For with property wrecked, machinery jammed and output stopped, there is little hope that bills will be met, charges paid and loans liquidated when due.

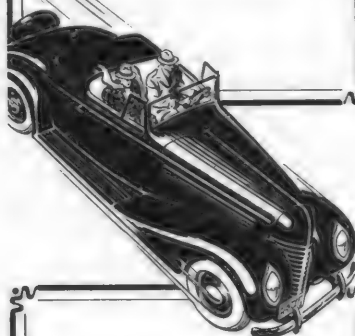
Needed by borrowers is Use and Occupancy Insurance—a dependable coverage that strengthens loans against loss after fire. U & O broadens your borrower's protection by paying earnings ordinarily realized but cut off by the occurrence of mishap. Ask the HOME agent more about this supplemental coverage so vital to borrowers and, indirectly, to you. He will be glad to discuss U & O and other forms written by THE HOME to protect *invisible* values.

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JUST A MINUTE—Continued

Ouachita Citizen of West Monroe, Louisiana. It's this: Both get plenty of criticism.

"The most difficult task that we can think of at the moment is to run a bank or a newspaper to please everyone," says the *Citizen*. "If the banker is conservative he is charged with not being helpful to the community. If he lends the depositors' money too freely he is criticized when the borrower can't repay and the bank closes. The newspaperman who prints all the news regardless of who makes it, is criticized and called sensational. If he leaves it out he is charged with being afraid to print the news. The best plan for the banker or the newspaperman to follow is to run his business the way he thinks it should be run and let the critics criticize."

Vol. I No. 1

THE FIRST ISSUE of *C.B.A. Public Relations*, bearing the imprint of the public relations committee, California Bankers Association, features "California's Answer to the Question: Are Banks Making Loans?"

"The answer is an emphatic 'YES!' More than one billion dollars were loaned to business firms and individuals during the first six months of 1939."

Then follow the figures reported for California in the bank lending survey made by the Research Council of the

William A. Irwin, Associate Educational Director, American Institute of Banking Section, A.B.A., addressed the Pittsburgh Advertising Club recently. *Left to right*, C. C. Conner, advertising manager, Aluminum Company of America; Mr. Irwin; Ralph L. Thomas, assistant cashier, First National Bank, Pittsburgh



American Bankers Association, and a brief comment on what they mean.

"This is the brief story of but one activity of California banking—the making of loans," concludes the article. "You and the other men and women in our banks have played an important part in this constructive enterprise which is essential to the prosperity of the State and the happiness of its people. You can be proud of your profession."

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FLYING DEBATERS

The debate team of Essex County (New Jersey) Chapter, American Institute of Banking, flew to Providence, Rhode Island, for a debate. *Left to right, Richard N. Berkefeldt, William Snyder and James Moffat*

pleasant letter. It was from A. J. LOCHRIE, president of The Miners National Bank of Butte, Montana, and it expressed appreciation of the article "Eagle Head Goes to the Bank", by DOUGLAS GOLD, in our March issue.

"Knowing something of the Indians up in our Northwest, and particularly the seriousness of the Indian with regard to his banking connections," says Mr. Lochrie, "I feel that such articles will be both entertaining and interesting to the banking fraternity."

Several readers have taken the trouble to say that they have enjoyed Mr. GOLD's two stories—there was another in April BANKING—and that they hoped more Blackfeet would tread the magazine's pages.

Well, we wouldn't be surprised if it worked out that way.

Birthday Cakes

¶ For the FIRST NATIONAL BANK OF COLUMBUS, INDIANA, which recently celebrated its 75th anniversary with an open house, an essay contest for school children, and a dinner at which Lieutenant-Governor SCHRICKEK spoke. The *Evening Republican* of March 21 contained a special section devoted to interesting stories about the bank and the city's early history.

¶ For the PEOPLES SAVINGS BANK & TRUST COMPANY OF WILMINGTON, NORTH CAROLINA, which on April 1 celebrated its 40th anniversary of service to business enterprises in southeastern North Carolina.

¶ For the BANKERS FEDERAL SAVINGS AND LOAN ASSOCIATION, New York City, which observes its Golden Jubilee with a booklet of old New York views.

May 1940

"PUBLIC BANKING HOURS"
is a timely subject that is likely to receive more than passing interest during the next few months.

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GENERAL ELECTRIC

Meet the New Books

The 16th Amendment's Legacy

HASTILY amending the page's title to read "... some of the new books", the May book report breaks ground by reporting on a substantial volume that looks like a book to end books about the income tax. It's *The Federal Income Tax* by ROY G. and GLADYS C. BLAKEY (Longmans, Green & Company, New York, \$7.50), and it covers the legislation, administration and adjudication of the tax "through the years and today."

A scholarly history of the legacy left us by Amendment No. 16, this volume sets the tax against the social and historical background that made it first an issue and then a fact. The Blakeys (needless to insert that both are experts of long standing) analyze successive stages in the evolution of income taxation, particularly since the Amendment was adopted, indicating, to use their own words, "how economic, political, legal and administrative considerations have worked to create the income tax that we have" and also "how they are working to change it in the future." Properly planned and administered, they say, "no important tax is better qualified than the income tax to minimize social friction and promote social cooperation." On the other hand, to the extent that it is abused or perverted—as by encouraging the majority to "mulct the minority"—so it "fails to maximize quantity and utilization of income and becomes anti-social."

Present Day Investing

A BOOK that brings into sharp focus the problems of investing in an age of changing values is *Investment Dynamics*, edited by JULES BACKMAN. (Fiduciary Publishers, Inc., New York, \$1.50.) This symposium by 18 analysts indicates the factors that affect the future development of six industries: building and building equipment, public utility, transportation, television, retail trade, and chemical.

Adrian M. Massie, vice-president of The New York Trust Company, has this to say about the matter of "investment dynamics" in his foreword to the volume:

"The investor can no longer take it for granted that the trend of business is up or that a particular industry is bound to improve. A study of the financial strength of a given company is

an insufficient basis for making an investment. New or added weight must be given to a study of industries for signs of the effects of social, political, economic and technological impact on them."

The material is based on articles prepared for "Trust and Estates."

Taxing Railroads

ALTHOUGH *The Taxation of Railroads in New Jersey* by HARLEY L. LUTZ (Princeton University Press, Princeton, New Jersey, \$2.50) deals primarily with one state, the suggestions and information which this eminent authority offers will be found applicable, at least in part, elsewhere. Professor Lutz discusses the general theory of *ad valorem* taxation and indicates lines along which that system can be improved. The book is one of the studies in the Princeton Survey of New Jersey Finance, a project that is expertly examining many financial and governmental problems of the state.

Gold Again

ANOTHER eminent Princetonian, EDWIN WALTER KEMMERER, contributes *The Gold Standard—Its Nature and Future* to the current discussion of the subject covered by the title. Published by the Economists' National Committee on Monetary Policy, New York, this pamphlet is a reprint of Dr. Kemmerer's address before the Connecticut Economic Council early this year. He talks about monetary problems, past, present and future, and concludes that the world's immediate problem isn't a national one of "creating a substitute for the time-tested gold standard, but an international problem of making that standard a better standard." When the war is over, he hopes the United States "will take the initiative and use every reasonable effort to bring about international action directed toward the restoration and improvement of the gold standard."

Estate Planning

HERE is a revised edition of *Minimizing Taxes on Incomes and Estates*, a usable little book by J. BLAKE LOWE and JOHN D. WRIGHT. (Barron's Book Department, Boston, \$2.) It outlines principles for planning estates so that taxes can be kept as low as possible. "To evade a tax by devious routes and

resort to subterfuge is evasion and illegal," the authors point out. "For a tax-burdened and tax-bewildered public to take advantage of the legitimate exemptions and exclusions allowed by the Treasury is tax avoidance and common sense." The book, needless to say, deals only with common sense.

For Corporate Trustees, etc.

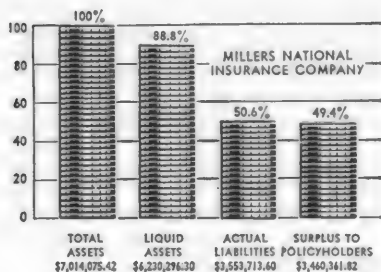
IN 1086 pages, including index, *The Transfer of Stock* by FRANCIS T. CHRISTY and DONALD H. McLEAN, JR. (Baker, Voorhis & Company, New York, \$16.50) is at the service of corporate trustees, brokers, lawyers and others whose business has to do with the transfer of stock by corporations and their transfer agents. This is the second, and of course revised, edition. Rules, principles and practices relating to the issuance of stock certificates and transfers by corporations and agents are discussed. Transfers between individuals, except as corporation transfers may be affected, are beyond the scope of this work which is outstanding in its field.

Books Received

America Faces the Forties. By SHELBY CULLOM DAVIS. (Dorrance and Company, Philadelphia, \$2.75.) A book about "the Lost Decade" of the Thirties, with a prophetic glance into the next ten years which seem to promise a higher standard of living, particularly if we adopt "public policies that are at the same time pro-the body politic and pro-business." However, we can't realize our destiny without peace.

From Barter to Banking. By JOSEPH LEEMING. (D. Appleton-Century Company, New York, \$2.) Mr. Leeming tells the story of the world's coinage and money for the benefit, chiefly, of younger readers, although people of all ages will find the book informative and interesting.

Introduction to Investment Analysis. By KENNETH FIELD. (Ronald Press, New York, \$3.50.) The head of the economics department at Carnegie Institute of Technology, writing primarily for college students, presents analytical techniques and procedures for evaluating securities of railroads, banks, insurance companies, industrial companies, public utilities, investment trusts, government units, and real estate borrowers. There are many charts.



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BANKING Suggests

The Federal Income Tax. By ROY G. and GLADYS C. BLAKEY. (Longmans, Green, New York.)

Minimizing Taxes on Incomes and Estates. By J. BLAKE LOWE and JOHN D. WRIGHT. (Baron's Book Department, Boston.)

Investment Dynamics. Edited by JULES BACKMAN. (Fiduciary Publishers, New York.)

Manual on Commercial Law. By A. LINCOLN LAVINE. (Professional Publications, New York, \$4.75.) This is a revised edition of a text based on New York C.P.A. law questions with answers, though not limited to New York law. It is an aid to the average business executive because of its valuable data on social security, taxation, bankruptcy, and wages and hours—all framed in not too technical language.

Rand McNally Bankers Directory. (Rand McNally & Company, Chicago, \$15.) Here is the 128th edition of the indispensable "blue book" about banks, banking and bankers. It gives a complete, numerically arranged list of bank transit numbers and an explanation of the numerical system of the American Bankers Association. In the back of the book appears the Bank Collection Code as recommended by the A.B.A.

Modern Annotated Forms of Agreement. By SAUL GORDON. (Prentice-Hall, Inc., New York, \$10.) Fifteen hundred pages of forms covering many contractual relations, simple and intricate.

Salary Determination. By JOHN W. RIEGEL. (University of Michigan Press, Ann Arbor, Mich., \$3.50.) A guide for appraising the worth of positions and services, including a survey of policies and procedures in 40 companies.

How to Make Your Budget Balance. By E. C. HARWOOD and HELEN FOWLE. (American Institute for Economic Research, Cambridge, Mass., \$1.) An explanation of "rubber" or elastic budgeting for individual or family. Pamphlet.

A Statistical Study of Credit Unions in New York. By FRANCIS E. WILCOX. (University of Chicago Press, Chicago, \$1.) Mr. Wilcox, staff statistician of Household Finance Corporation, studies the credit union movement as well as its operations in one state. Pamphlet.

What to Read. (University of Michigan Press, Ann Arbor, \$1.25.) The university's faculties present a third series of general book lists for mature readers.

JOHN L. COOLEY

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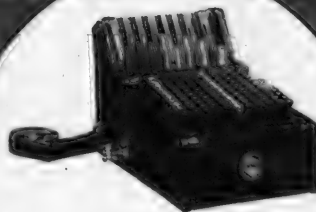
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- SAVINGS ACCOUNT** (325) for Richard G. Felton, showing a savings account with monthly deposits.
- BUDGET ACCOUNT** (D-735) for D. D. Davis, showing a budget account with monthly payments.
- ADVANCE ACCOUNT** (A-445) for W. L. Simmons, showing an advance account with monthly payments.
- MORTGAGE ACCOUNT** (M-545) for R. E. Hoffman, showing a mortgage account with monthly payments.
- ANY BANK** form for mortgage and real estate department, showing interest on bond and mortgage due.

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The Threat of Socialized Credit

By ALBERT W. ATWOOD

"The essential point at issue has not escaped the attention of the leaders of the more responsible farm organizations. They have all pointed out with pitiless accuracy that relief and credit cannot be mixed in the same institution, for, as one of them succinctly remarks, 'it inevitably becomes all relief'."

No matter what happens to the Jones Bill in Congress, an understanding of the issues involved is important. MR. ATWOOD wrote "The Financial Omelet" in March BANKING. He contributes frequently to this magazine.

THIS magazine has never published anything, I venture to assert, more significant in its implications than the quiet and unemotional letter which was reprinted on pages 32 and 33 of the April issue. In this letter, the reader will recall, E. M. Ehrhardt, president of the Federal Land Bank of Spokane for almost 13 years, gave the reasons for his resignation. These, it will be recalled, were connected with the recent *blitzkrieg* by which the Department of Agriculture so effectively and completely swallowed up the heretofore independent Farm Credit Administration and its 12 regional land banks.

But suggestive as Mr. Ehrhardt's letter was, he did not, in writing it, have the benefit of still later developments, more particularly of the so-called Jones bill which seeks, among other things, to regularize, implement, emphasize and accentuate, as it were, the destruction of independent status on the part of the Farm Credit Administration.

The Jones bill deserves attention because it conveniently symbolizes and reduces to understandable terms not merely the entire FCA controversy but various tendencies of infinitely greater importance than the fate of any single organization. It is apparently a deliberate attempt to socialize a large part of the credit structure of the country.

A. L. M. Wiggins, Chairman of the Legislative Committee of the American Bankers Association, has said that "all totalitarian economic systems have used such devices as this bill proposes to enable them to take over the agricultural system and eventually all private business." No wonder that practically all the leading farm organizations have opposed the bill!

It is quite likely that the Jones bill will not pass at this

session of Congress, or if it does its original provisions will be greatly modified. But the ominous fact is that the Department of Agriculture has expressed its approval of such a measure. Experience shows that the kind of ideas embodied therein have great vitality; killed at one session they spring into life at the next.

Bankers have been warned so often of the dangers in concentrating power in the Federal Government that they are rather like the indifferent villagers who paid no attention to the boy who cried wolf; this time the wolf is very close indeed. Such words may sound somewhat melodramatic to employ in a sober periodical like *BANKING*, but I am using them deliberately and advisedly. One reason is that the proposed measure would destroy the cooperative features of the FCA.

Bear in mind that the 12 regional land banks, constituting the backbone of the FCA, are nearly a quarter of a century old, and were established to care for long term agricultural capital needs, as the result of a careful study of European systems by a commission appointed by President Taft. The idea was to unite a great number of cooperative groups (at one time there were 3,700 of these farm loan associations) through 12 financial agencies which would pool resources, issue bonds and make a market for them.

Individual responsibility, joint responsibility, selection of members or risks, and sharing of profits or losses are involved. Each borrower, cooperative fashion, had to take 5 per cent of his loan in stock of the local association, and the locals have held stock in the land banks. By making each borrower responsible to a limited extent for bad loans it was hoped to impress the importance of sound lending standards upon farm borrowers.

The land banks, be it noted, are among the very few Federal lending agencies whose capital stock is not wholly owned by the Government. They have sold their own bonds, without a government guarantee, directly to the public, and on the whole the bonds have had a good record. The land

banks started in a period of extreme land inflation and have come down into a very great depression. Yet they have stood up relatively well, compared with other financial institutions.

While lending directly to less than 40 per cent of the farm mortgage borrowers, the land banks have served as a valuable yardstick, helping to bring about lower interest rates, relatively long term amortized instead of two- or three-year loans, and more consideration to normal agricultural values and less to sales values in making loans. There have been as many as 650,000 stockholder members and 24,000 directors and officers, including those of the farm loan associations.

WHAT THE JONES BILL PROPOSES

IT is now proposed in the Department of Agriculture-sponsored Jones bill to eliminate the requirement that the borrower buy stock as a prerequisite to obtaining a loan, on the plea, forsooth, that the borrower dislikes to do so. Take the stock away and the farmer has no interest in seeing that his neighbor repays his loan. Nor has he any interest in whether the system makes or loses money; he knows the Government will pay. It means also that the maintenance of a Federal Land Bank System is a mere fiction; the Department of Agriculture, to all intents and purposes, makes the loans.

The bill also provides that most of the powers now held by the farm loan associations and the land banks should go either directly to the Governor of the FCA, an official of the Department of Agriculture, or to committees named by him. It is admitted even by friends of the old system that the cooperative features have not worked out 100 per cent, but the whole effort for years of such farm organizations as the Farm Bureau has been to strengthen and perfect rather than to destroy them.

In addition the measure we are considering opens the way to an unusual degree to the new type of so-called credit, to use the words of Albert S. Goss, former Land Bank Commissioner, "in which personal responsibility is denied, loans are made to everybody—and the Government pays the loss whenever the borrower wishes to quit paying."

This is no exaggeration, for the bill has an elaborate pro-

vision which, in Mr. Wiggins' words, "establishes as a statutory right the repudiation of obligations through an open invitation for scaling down of debts." Sponsors of the bill might deny this, but let the reader judge for himself. The bill provides that if a farmer establishes to the satisfaction of the Governor of the FCA that "his indebtedness is in excess of the productive value of the mortgaged farm, or that the payments due on such indebtedness exceed the normal farm income . . . he shall be entitled to refinance his mortgage."

It is further provided that the Governor shall do the refinancing on the basis of the farm's productive value. This, of course, would amount to an open invitation to untold thousands of farmers to try to persuade the Department of Agriculture that they aren't earning enough to pay their debts. Considering that the Governor is directly under the Secretary of Agriculture, who is part of an administration which stays in office as long as it has the votes, the temptation to scale down a farmer's debts at the expense of the Government would be terrific.

But this is not all. Suppose the FCA scales a farmer's debt down from \$10,000 to \$6,000. If the same farmer owes a bank or insurance company \$10,000 the tendency will be for the privately owned loan to drop in value to the same extent.

EXIT THE PRIVATE LENDER

ANOTHER result of such a provision would be to drive the private lender out of the field, Secretary Wallace having already admitted in testimony that government agencies would have a far larger proportion of all the farm indebtedness than now. Also the Government would own an enormously increased proportion of the farm land itself.

Whether it is a good thing for the farmer to have only one possible source of credit may be seriously doubted. Obviously the Farm Bureau, the Grange, the National Council of Farmer Cooperatives, the American National Livestock Association and the National Wool Growers Association do not think so. The intelligent, substantial farmer does not care to put his head into such a noose.

But there is still more to the Jones bill. Land banks are

The Most Serious Threat

IN connection with the appearance of representatives of the American Bankers Association before the Agricultural Committee of the House of Representatives on the Jones bill to reorganize the Federal Land Bank System, A. L. M. Wiggins, chairman of the Committee on Federal Legislation of the A.B.A., released a statement of the position of the Association on this proposed legislation. Part of the statement follows:

"The American Bankers Association has entered its opposition to the Jones bill knowing that its position may be construed as opposition by banks to the relief of the farmers and an expression on the part of bankers of a desire to maintain high interest rates for the benefit of private capital. Such criticism has no basis in fact. However, in the public interest, we cannot remain silent in the face of an attack on the integrity of credit and the introduction of unsound policies into the operation of the agricultural credit

system of the country. The most serious threat to the credit structure of the nation that has yet been offered for the consideration of Congress is contained in three proposals in this bill. They are:

"(1) The substitution of the guarantee of the Government in place of the collateral underlying the bonds of the Federal Land Bank System.

"(2) The destruction of the integrity of the obligations of the borrowers on farm mortgage loans through the abolition of personal liability.

"(3) The provision that establishes as a statutory right the repudiation of obligations through an open invitation for scaling down of debts.

"The bankers, as custodians of a large part of the liquid wealth owned by the people, would be unfaithful to their trust if they refused to speak out in the face of a threat that would affect adversely every bank depositor, every farm owner and every investor in the country."

Adventure in Government Competition

OUR bank is located in a county seat town with a population of 1,400 in north central Minnesota. It was organized in 1917. Our principal competitive governmental agencies are the production credit associations and the so-called independent credit companies who obtain their loanable funds from the Federal Intermediate Credit banks. Both of these agencies have aggressively gone after all the good loans obtainable in our community, and because of their aggressiveness and the fact they widely advertise an attractive low rate of interest, they developed a considerable volume of this kind of business.

However, in most instances we have no difficulty persuading the farmer to transfer his loan, if we have an opportunity to discuss it with him personally, because the attractive rates offered by the government lending agencies, as all bankers know, are somewhat misleading in view of the fact that there is either stock to purchase in local associations, interest taken out in advance, or additional charges of various nature.

A year ago one of our good customers, who had been doing business with us for 20 years, obtained a loan of \$800 to pay us in full and I had an opportunity to discuss this matter with him about a month afterward. He said the only reason he made the change was because he noticed an ad in one of our local papers stating he could get the money at $4\frac{1}{2}$ per cent interest. He filled out the coupon in the ad and a few days later, when a representative called at his farm,

the papers were executed and, after being recorded, the loan was completed. He was then surprised to find that the interest had been taken out in advance and he had to pay an inspection fee. Later in the Summer he needed some additional money during harvesting and discovered how inconvenient it was for him to have his personal property all mortgaged to an outside agency. About a month before his loan came due, I interviewed him personally and he gladly agreed to transfer it back to us. When I completed the transaction last week he expressed his pleasure at our willingness to accommodate him with whatever credit he needed at a reasonable rate of interest, and I am sure he will never be interested in making a change of this kind in the future.

I believe it is our responsibility to give the people in our respective communities complete banking service in every sense of the word, and, in order to do this, it is most important that we do not overlook any prospects for good loans of every type and description. The public expects this of us; otherwise, they will go to other competitive lending agencies. Generally speaking, however, they prefer to do business at home. They want the bank in the little town to stay. We have a responsibility to them, to our stockholders and to ourselves to meet that challenge. —FRANK P. POWERS, *President, Kanabec State Bank, Mora, Minn., and Chairman, State Bank Research Committee, State Bank Division of the American Bankers Association.*

prohibited from foreclosing any mortgage or seeking a deficiency judgment if the mortgagor conveys and delivers to the land bank full title and possession of the property. Many authorities feel that these changes would do away with all personal responsibility on the part of the borrower. R. E. Short, president of the Arkansas Farm Bureau, says:

"The removal of the right to foreclose removes the sense of personal responsibility which is essential to the maintenance of a sound credit institution and to safeguard it against abuses. Human nature being what it is, experience would appear to require the authority to enforce collection of a debt. This authority need not be exercised with harshness."

Deficiency judgments have been much abused in the past, but there is another side to the story. In times of depressed farm prices the large landowner, with plenty of other resources, can throw the burden of operating an unprofitable farm back upon the lender, unless he can be held to a personal accountability. Mr. Goss cites an interesting example of what the land banks have to contend with:

"The case involved a large loan. The borrower found himself hard pressed for cash and succeeded in getting extensions and advances for taxes for a period of several years. He finally decided to abandon the farm, and, first by promises which were not kept and later by all legal means, managed to retain possession long enough to remove three crops without paying a cent. His financial condition straightened out until he was amply able to pay."

"The bank foreclosed, but in this particular state was

obliged to bring additional suit to establish deficiency judgment. The borrower resisted this suit by every possible means, including appeals to both his Senator and his two Congressmen. The deficiency judgment approximated \$15,000. With a salary of \$15,000 and ample free assets there was no honorable reason why he should throw the loss either upon the farm loan association or the land bank. If this bill becomes law, that type of borrower can evade his debts and throw the losses upon the Federal Government, and, gentlemen, I think it about time that someone began thinking about the finances of the Government."

Another feature of the Jones bill, as with all these schemes of easy credit for everybody, is still lower rates of interest; in this case the reduction is from $3\frac{1}{2}$ per cent to 3 per cent. It is a question whether this constant lowering of rates is of as much help to the borrowers as many people seem to think. After all a $1\frac{1}{2}$ cent rise in the price of wheat means more to a wheat farmer than a 1 per cent reduction in interest.

Many borrowers headed for foreclosure under a conservative credit system cannot be helped by any "liberalization" of interest rates, because the real causes of distress are social, not of a credit nature at all. Such hazards of life as insanity, divorce, serious physical disability and finally old age are among the major factors. Another factor, of course, is bad faith.

It is only natural when a bill of this kind has strong Congressional or Administration sponsorship that suspicions

The Evolution of Farm Credit

ATTEMPTS to do something for agriculture date back on this continent to a time before even the Revolution. E. S. Sparks, in his *History and Theory of Agricultural Credit in the United States*, says of colonial times: "While repeated attempts of private land bank advocates to establish their projects failed, the idea was adopted by most of the colonial governments, which issued large sums of bills or notes and loaned these on real estate mortgages or plate." This writer adds that "The public loan offices made their loans for long periods of time at less than the market rate of interest, and thus subsidized landowners at the expense of investors in other occupations."

Later, in the southern states before the Civil War, a more advanced type of land bank was developed along the lines of the somewhat earlier Prussian *Landschaften* banks. These southern institutions were property banks—associations of borrowers who subscribed mortgages on property for capital stock and received loans from capital obtained by the sale of bonds issued on the basis of mortgages and guaranteed by the state, and from the issue of bank notes. Later steps are shown in the pictures that follow.



CULVER SERVICE

George Washington on his farm at Mt. Vernon. Contemporaries of this well known country gentleman were able to obtain government credit for their farming operations through note issues of officially sponsored or guaranteed land banks.

The result, of course, was quantities of eventually worthless notes.

Continuation of Mr. Atwood's article

of political motives become rife. Frank Kent, the syndicate writer, has stated that it is a raw device to give additional subsidies to the farmer. A former official of the FCA says that "it is only natural in an election year" to promise softer credit, increased subsidies and the opportunity to dump one's losses on the Government, if for no other reason than to "divert the farmers' attention from the failure of the Triple A program."

As to these particular charges I speak with a minimum of first hand knowledge. Officials who favor the absorption of the FCA by the Department of Agriculture defend the move by asserting that farmers served by the farm loan associations and land banks were too much of one class, being the more well-to-do farmers, who "were out of touch with their neighbors."

This seems a pretty weak defense. If farmers actually need relief they should receive it as relief, not in a way or under a guise to threaten the integrity of obligations and of credit systems. As Frank Kent, again, has observed, the emphasis is evidently being shifted "from the self-sustaining farmer to the non-self-supporting, to the sub-average, and to the 'naturals' for resettlement, rehabilitation and government subsidies."

What we are really seeing is the gradual spread of the effect of a sort of Gresham's Law in regard to farm credit systems. Just as bad money drives out good, so a soft credit system is bound to drive out one which is a little harder.

The real difficulty is that the Government has other agricultural lending agencies which make far more generous loans, in one case for 100 per cent of the value, and those

which make conservative loans simply cannot survive the complaints against their conservatism.

Incidentally, the fact that it is said to cost from 15 to 20 times as much to service a 100 per cent loan as a 50 per cent loan seems to worry no one.

Bankers who oppose attempts to socialize credit are often accused of trying to maintain high interest rates for the selfish benefit of private capital. But when the integrity of obligations is concerned, far more is at stake than the question of interest rates. Property holders of every kind, small as well as large, home owners, farmers, savings bank depositors, policyholders, may well feel less secure if such ideas prevail, and it is the bounden duty of the banker to defend to the utmost of his ability the security of these groups.

Personal Responsibility

"But I still do not favor any legislation which relieves any man of the personal obligation to pay a debt evidenced by a note on which he has signed his name. It is too easy, in times of depressed farm prices, for the large landowner to throw the burden of operating an unprofitable farm back upon the lender. Nor do I believe you can successfully operate a cooperative lending system without personal responsibility."—*From the testimony, before the House Committee on Agriculture, of CHARLES H. MYLANDER, vice-president of the Huntington National Bank, Columbus, Ohio, and member of the Committee on Federal Legislation of the A.B.A.*



CULVER SERVICE

The rush for lands in Oklahoma at the signal for the start. BANKING could gladly give the rest of this page to a description of the event as given in *Harper's Weekly* for May 18, 1889. Part of the Government's program of aiding farmers by opening western lands to settlers, the Oklahoma rush was said by *Harper's* to be "the most remarkable thing of the present century. Unlike Rome, the city of Guthrie was built in a day. To be strictly accurate in the matter, it might be said that it was built in an afternoon."

"As the expectant home-seekers waited with restless patience, the clear, sweet notes of a cavalry bugle rose and hung a moment on the startled air. It was noon. The last barrier of savagery in the United States was broken down". Then occurred the scene at the left.

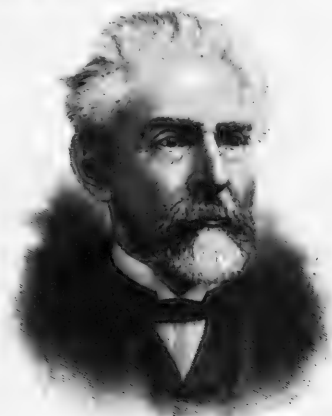
The reporter tells how horsemen rode wildly to their chosen claims, only to find that others were already there, having come on foot or by ox team illegally before the starting signal was given.

Some enterprising citizens had themselves sworn as deputy United States marshals, and, although this was supposed to make them ineligible as land claimants, they staked their claims anyway, one boasting that "the deputy marshals laid out the town."

Below, right, the first Secretary of Agriculture, Norman J. Colman. The head of the Department of Agriculture, created in 1862, was given Cabinet rank in 1889 under Cleveland

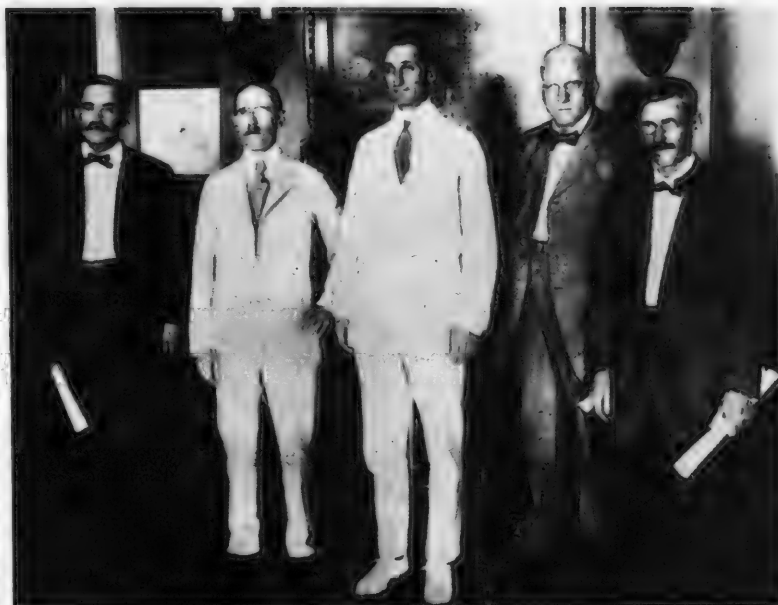


HARRIS & EWING



CULVER SERVICE

An important step in farm credit evolution was establishment of the Federal Reserve System. Discountable agricultural paper was limited to a 6-month term. The aid the System gave to agriculture was due largely to the broad interpretation which the Board gave to its powers. *Above*, the Board's first members meeting in Secretary of the Treasury McAdoo's office to take their oath. *Left to right*, seated, Messrs. Hamlin, McAdoo, Delano; standing, Messrs. Warburg, Williams, Harding and Miller



KEYSTONE

Right, the Federal Farm Loan Board created by the Farm Loan Act of 1916, which authorized, first, the Federal land banks and their subsidiaries, the national farm loan associations, and, second, the joint-stock land banks. This legislation was the modern ancestor of the present complicated program. *Left to right* in the photograph, Messrs. Lobdell, Norris, McAdoo (ex-officio chairman), Smith and Quick



KEYSTONE

HARDING, COOLIDGE, HOOVER—In 1921 the Government made the first of a series of specific appropriations for crop and seed loans. Two years later an amendment to the Federal Farm Loan Act provided for Federal intermediate credit banks and privately financed agricultural credit corporations. The next equally important step was the Agricultural Marketing Act of 1929, creating the Federal Farm Board, *left*, and its \$500,000,000 revolving fund for making loans to farmers' cooperative associations. The members in the picture are, *left to right*, Messrs. Stone, Denman, Wilson, Schilling, Legge (chairman), Hyde (Secretary of Agriculture), Williams, Christiansen and Teague. Any hopeful expression that might appear on the faces of these gentlemen is due to the fact that this was their first meeting. In 1931 there was an appropriation of \$20,000,000 part of which was to be loaned to farmers for the purchase of stock in agricultural credit corporations, and the following year a \$10,000,000 revolving fund was set up for the same purpose. The RFC Act of that year authorized the organization and financing of regional agricultural credit corporations



KEYSTONE

ROOSEVELT—*Above*, the President signing the Emergency Farm Mortgage Act of 1933, as various Congressmen and Cabinet members look on. This was followed shortly by the Farm Credit Act of 1933 and a flood of other Federal farm legislation. For example, the Farm Credit Administration, keystone of the present system, traces its lineage, according to the *United States Government Manual*, to the Farm Loan Act, 1916; Cooperative Marketing Act, 1926; Agricultural Marketing Act, 1929; a provision of the Emergency Relief and Construction Act, 1932; an executive order of 1933; Emergency Farm Mortgage Act, 1933; Farm Credit Act, 1933; Farm Mortgage Corporation Act, 1934; Farm Credit Act, 1935; Federal Credit Union Act, 1934; Farm Credit Act, 1937; "and sundry other resolutions and acts of Congress either amending the foregoing or of a temporary character." In other words, something has been done, again, for agriculture. In addition, something has been done for commodity credits, surplus commodities, rural electrification and other matters

Above, right, the contents page of a 1938 Federal publication entitled Federal Farm Loan Act with Amendments and Farm Mortgage and Farm Credit Acts

For the significance of the headline at the right the reader is referred to Mr. Atwood's article on page 19 and the extracts from Mr. Wiggins' statement, page 20

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Banker Hits Move to Alter Farm Credit

Serious Threat to Nation and Fiscal Structures, Wiggins Informs Board

Federal Guaranty Of Loans Assailed

Housing Standards, Improvement

Question No. 5—Are Banks in Your Community Taking Any Direct Active Part in Maintaining the Standards of Building Materials and Workmanship?

Question No. 6—What Would You Estimate Your Bank Will Spend in 1940 on Improving Bank-Owned and Controlled Real Estate.

With the returns of the above two questions, tabulated and analyzed, BANKING'S nation-wide survey of real estate conditions is concluded in this issue. The answers to Questions 5 and 6 should reveal valuable data in helping to guide the policies of those who either own, have a financial interest in, or extend loans on real estate.

THE answers to Question No. 5 revealed one fact, generally recognized and admitted by those who responded, namely, that the Federal Housing Administration, in its insistence on the utilization of the finest materials and highest grade of workmanship, has created much higher standards in the building field than have existed heretofore. That these higher standards have greatly influenced bankers in judging the value and safety of a loan is a matter of record, as shown by the great number of various comments from the seven geographical sections of the country embraced by the survey.

In view of the foregoing fact, it is fitting to record a few of these observations as representing a cross-section of the opinions of over 2,000 bankers located in every state.

From the Northwest come the following comments: "F.H.A. great factor in bringing about bankers' interest in building." "F.H.A. has done a great deal in this field by raising building standards." "Bankers are anxious to keep standards high and cooperate with F.H.A." The other sections of the country register similar reactions by observations such as "In judging a loan we demand F.H.A. standards." "F.H.A. Title II doing splendid work." "Most banks depend on F.H.A. supervision." "F.H.A. standards good, no need for banks to interfere." "Demand F.H.A. requirements and high building codes here."

THE BANKERS AGREE

IT is generally acknowledged that bankers, who advance their funds for building purposes by means of loans and mortgages, realize that they should take an active part in maintaining the standards of building materials and workmanship. A well constructed building or one renovated with high-grade materials reduces the element of risk by retarding obsolescence, and eliminates many other factors which might have an adverse bearing on the loan which a bank has made on a structure.

The survey has disclosed a surprising number of answers from bankers who believe that the practice of safeguarding their loans, by checking on materials and workmanship, should be generally adopted. A few of these comments follow: "We make loans only on buildings which we think are of good, substantial construction, and the standards set

by F.H.A. financing are of benefit to everyone concerned." "The factors of building materials and workmanship receive close attention on all real estate applications." "We make an accurate check-up on the method of construction and quality of materials, as well as workmanship, and are very careful to make certain of the contractor's reliability before approving a loan." "Your suggestion is food for a great deal of thought and action. Civic interest is being centralized and formed in our evening classes at local high schools along the lines cited in your questionnaire." "When furnishing funds for the erection of a dwelling, banks in our community give serious consideration to the type of building materials used and workmanship done."

The following detailed answer from a New Jersey banker is included because it reflects the growing tendency of bankers to exercise great care and discrimination in advancing funds for construction purposes. "We take an active part in watching the standards of building materials and workmanship in all of our construction loans, having trained architects and men long experienced in building work inspect every property under construction at least four times during the building period. While we do not recommend or insist upon any particular standard brands, we do, from time to time, make suggestions that we feel will be helpful in erecting a better building."

In New York City, savings banks have taken the initiative in adopting standardized room values for purposes of construction and have organized a Mortgage Information Bureau which defines all units for appraisal purposes. "These standardized room values," stated Howard C. Peck, chairman of the Group Five Mortgage Information Bureau in the *Real Estate Record and Builders' Guide* of October 14, 1939, "are to be used in computing rooms in new six-story semi-fireproof apartment houses. The minimum requirements of the standardized room values," said Mr. Peck, "have aided materially in improving the quality of construction in the metropolitan area of New York City."

What is being done in Greater New York as shown by the foregoing item, and as further revealed by BANKING'S survey, is a forecast of what may some day in the near future be an essential requirement in the granting of loans by banks for construction or renovating purposes—taking a direct, active part in maintaining the standards of building materials and workmanship.

* * * * *

Regarding Question No. 6, which asked "How Much Will Your Bank Spend in 1940 on Improving Bank-Owned and Controlled Real Estate?" the following data

have been compiled, showing the amounts that banks contemplate spending and the number of replies received, according to each geographical section:

Amounts	Replies from State Groups							
	NORTH CENTRAL	MIDDLE ATLANTIC	SOUTH ATLANTIC	SOUTH CENTRAL	NEW ENGLAND	PACIFIC	PLATEAU	
\$1,000 to \$5,000.....	346	210	156	85	96	28	21	
5,000 to 10,000.....	28	27	23	11	14	5	5	
10,000 to 25,000.....	13	33	8	5	1	2	3	
25,000 to 50,000.....	11	14	4	4	18	2	2	
50,000 to 100,000.....	5	18	2	1	7	1	1	
100,000 to 500,000.....	3	9	3	2	7	1	1	

Each of these sections has contributed valuable observations, from many of which it may be inferred that a greater proportion of funds would be provided if taxes were lower, if the Government would stop meddling, or if Federal agencies would not disrupt economic processes.

Replies from the North Central states are to the effect that "poor crop conditions are slowing up building activity," "farm income has been too low during the past five years," and "farm values are decreasing because many farmers are losing their property." On the other hand, more optimistic contributors say that "1940 will be a good building year," "real estate situation is beginning to look better," and that "they are in favor of a government plan that will assist workingmen to construct low-priced homes."

Bankers from the Middle Atlantic states say that "taxes are too high," there is an "urgent need for plan of orderly liquidation of institutionally owned real estate," and that "H.O.L.C. keeps property prices too low."

The South Atlantic states observe that "it is difficult to compete with F.H.A. and take sound mortgages," that "building costs are too high for average home owner," that "Federal Government should withdraw from banking and business" and that "too much real estate is drifting into hands of Government, insurance and other lending agencies."

From the South Central states come the following observations: "Banks are interested in handling construction of low-priced homes." "Short cotton and grain crops are quite a deterrent to favorable conditions"; "F.H.A. is holding rates 1 to 2 per cent too low to justify direct loans"; and "building industry should be run through 'wringer' to compel adoption of up-to-date methods."

FROM OTHER SECTIONS

COMMENTERS from New England assert that "right encouragement from Washington is badly needed in real estate," the "handling of property by banks at present is too precarious, and that the "greatest difficulty is inability of those desiring real estate to carry same."

From the Pacific states come replies that "there is considerable building in small, inexpensive homes," that "conditions should improve since defeat of 'Ham and Eggs' bloc, and that the expanding airplane industry is helping real estate growth."

Observers from the Plateau states assert that "there is too much government interference for healthy real estate activity through banks," and that "expenditures by banks on their real estate will depend on the condition of crops and government regulations." One contributor admits that "the Government has done much for the less prosperous," but he questions whether, according to "true economics," "this process can go on indefinitely."

An Anthology of Queer Names

By T. D. MACGREGOR

MR. MACGREGOR continues to delve into the origins of unusual town names. He did some similar exploring for the November 1939 and March and April 1940 issues. His information came from banks.

Sleepy Eye, Minn. (Pop. 2576.) Named after an Indian chief who used to camp on the shores of the lake. His name was Ish-Tak-Ha-Ba, meaning the man with drooping eyes, later translated "Sleepy Eye".—STATE BANK OF SLEEPY EYE.

Honor, Mich. (Pop. 254.) A sawmill and town were started here by an English company in 1893. The place was named after Honor Gifford, the daughter of the manager.—HONOR STATE BANK.

Ceres, Cal. (Pop. 981.) Named for the goddess of crops.—BANK OF CERES.

Battle Ground, Ind. (Pop. 448.) This place is near the site of the Battle of Tippecanoe, fought in 1811, on Tippecanoe Creek.—BATTLE GROUND STATE BANK.

Muleshoe, Tex. (Pop. 779.) A cowman came to this section and opened a ranch. He found a mule shoe in the pasture and that suggested to him a name for his ranch, and when a post office was established here they called the place Muleshoe.—MULESHOE STATE BANK.

Ninety Six, S. C. (Pop. 1381.) Fort Ninety Six, the only Revolutionary fort whose original ramparts can still be traced distinctly, was established by the British in 1750, and so-called because it was 96 miles from the frontier Fort Prince George on the Keowee River.—BANK OF GREENWOOD.

War, W. Va. (Pop. 1392.) Name derived from War Creek, so called by the Indians in 1788 because of a battle which occurred near the source of the creek.—THE BANK OF WAR.

Happy, Tex. (Pop. 724.) Named for an arroyo on whose bank it is built. Cowboys driving cattle across the plains became lost and wandered several days without water for their cattle. On coming to this arroyo they found it full of water, and so called it Happy Draw. Later a stage coach station was opened there and called Happy Station. When the railroad came through the town was named Happy.—THE FIRST STATE BANK.

Diagonal, Ia. (Pop. 577.) Named from the fact that both the Chicago Great Western and the Chicago, Burlington and Quincy railroad tracks run through the town and cross each other diagonally. The town has a champion high school basketball team.—FIRST STATE BANK.



President Robert M. Hanes of the American Bankers Association, above, left, speaking before the Bankers Association for Consumer Credit in White Sulphur Springs late in March, and, above, right, Walter B. French, A.B.A. Deputy Manager in charge of the



Consumer Credit Department, before the same meeting. Behind Mr. Hanes is a vice-president of the consumer credit organization, G. Carlton Hill, vice-president, Fifth-Third Union Trust Co., Cincinnati, Ohio

A Consumer Credit Milestone

AT the White Sulphur Springs meeting of the Bankers Association for Consumer Credit, Kenton R. Cravens, the president, announced that steps are being taken to consolidate the activities of his organization with those of the American Bankers Association, an action which will eliminate duplication of facilities and will provide for the broader application of the

experience already obtained. Deputy Manager Walter B. French, in charge of the A.B.A. Consumer Credit Department, said, "I cannot help but express my real pleasure at this suggested move now to join our forces for the common good."

An announcement regarding this important development appears in the News Paper, page 54.

Below, left to right, Kenton R. Cravens, president of the Bankers Association for Consumer Credit and vice-president of the Cleveland Trust Co.; W. J. Flynn, vice-president of the B.A.C.C. and president, The Bank of Erie (Pennsylvania); and G. Carlton Hill, vice-president of the organization and vice-president, Fifth-Third Union Trust Co., Cincinnati

Below, left to right, Harold Stonier, Executive Manager of the American Bankers Association; Robert M. Hanes, President of the A.B.A. and president of the Wachovia Bank and Trust Company, Winston-Salem, North Carolina; and Walter B. French, Deputy Manager of the A.B.A. in charge of the Consumer Credit Department



Packaged Insurance for Banks

In this, their fifth article in a series, the authors resume their discussion of various phases of insurance for banks. Previous articles dealt with centralized control of insurance and insurance on property, material damage and legal liability.

The present article briefly discusses the broad protection against direct financial loss available in bankers' blanket bonds.

HAROLD G. EBERLE is manager of the insurance department, Hartford-Connecticut Trust Co., Hartford, Conn., and HORACE W. ERVIN is account executive, Albert Frank-Guenther Law, Inc., New York advertising agency. MR. ERVIN specializes in insurance company accounts.

SPEAK to Mr. Smith, commercial banker, about *direct financial loss* and one of two red images is likely to flash across his mind: (1) a loan gone sour or (2) an embezzler caught up with. The chances are that Mr. Smith thinks first of loss from a loan, because the subject of borrowing is closer to his heart and is brought more often to his attention. *Legitimate* borrowing, that is. For there are two kinds of borrowers—open and hidden. Open or legitimate borrowers are greater in number (even if still lagging). The hidden “borrower”—the embezzler—is greater in capacity to cause loss. He can make a far deeper dent in current assets than ten legitimate, meek and well-intentioned loan customers.

But even if the banker thinks about embezzlement, which causes the major portion of all losses suffered by banks through criminal acts, it isn't enough. There are other conspicuous ways that financial institutions suffer direct loss. Fortunately for the financial community, insurance companies have given this subject plenty of thought and attention, with the happy result that banks enjoy greater protection in multi-hazard indemnity bonds that reimburse for loss from any one of numerous causes. These bankers' blanket bonds are about the broadest thing on the insurance market, providing, as they do, varied protection in one package for one premium.

The timely A.B.A. insurance study of 769 banks having deposits of from 5 million to over 500 million dollars* reveals that two-thirds of these banks get their blanket coverage in two layers, and pay less, by carrying two kinds of bonds: (1) the broad form for *primary* protection, and (2) a narrower form for secondary or *excess* coverage. One type of contract (Form No. 8 Revised) offered by insurance companies as *primary* blanket coverage to take care of a bank's basic requirements, is broader in terms, more liberal and more expensive, though its cost was reduced on March 1, 1940. Another type (Form No. 2) is often taken as *excess* protection to provide additional coverage for catastrophic losses. It is obvious, of course, that the *excess* protection springs into action when the amount of loss reaches a specific figure. The individual insured has been the deciding factor in the amount of protection that should be *primary* and the amount that should be *excess*. The A.B.A. study showed

that many of the reporting banks split their coverage $\frac{1}{3}$ *primary* and $\frac{2}{3}$ *excess*. In some cases, the split-up ratio was found to be 10-90, 25-75, 50-50, and in 46 out of the 769 instances the *primary* coverage exceeds the *excess*.

The No. 2 bond form is also carried as *primary* or sole coverage by a great number of banks who have not felt that they could afford the broader and more expensive No. 8 bond.

I.—HAZARDS

BANKERS' Blanket Bond No. 8 Revised has, because of its broad and inclusive character, earned widespread popularity among bankers. It is undoubtedly one of the most liberal protective instruments of its kind ever devised and made available. Its form and coverages, therefore, provide an excellent model for an appraisal of the merits of blanket coverage. The bond, generally speaking, embraces seven hazards. What is said below about the specific coverages is not intended as being comprehensive, but should be construed as indicating breadth and variety of coverage offered:

1. *Embezzlement*. It covers loss through any dishonest, fraudulent or criminal act of any of the salaried officers or employees wherever any such act may be committed, and whether committed directly or in collusion with others.

2. *Burglary*. Coverage is provided for any loss from burglary of any of the bank's safes, vaults or money chests. Covered also is property within any branches or within any recognized place of safe deposit wherever located; or property within the offices of any banking institutions or clearing-houses wherever located or within the U. S. Treasury Department. Depository chutes are also included.

3. *Interior robbery and messenger robbery*. This covers inside and outside robbery and holdup of messenger. Messenger holdup is covered anywhere in the United States or Canada, or within the territorial limit of any country where there is an office to which the indemnity extends.

4. *Larceny and theft*. Covers loss by larceny (whether common law or statutory) or theft committed by anyone on the premises of the bank or its branches, or while the property is in transit within the United States or Canada, or within the territorial limit of any country where there is an office to which the indemnity extends.

5. *Negligence of messenger and destruction*. Covers any loss of property in transit in the custody of officers or employees of the bank, even though the loss occur through the negligence of the employees having custody of the property. Also covers loss of property on the premises from destruction or damage, whether such occurs with or without violence, or with or without negligence on the part of any of the employees.

6. *Misplacement*. Covers mysterious unexplainable disappearance of property—both on premises of bank's main office and branches, and while in transit in the custody of an officer or employee anywhere in the United States or Canada, or within the territorial limits of any country where there is an office covered under the bond.

7. *Forgery*. Coverage is given on *incoming* items—excluding protection on forged securities. The forgery coverage embraces any loss (a) through accepting, cashing or paying forged checks, drafts, acceptances, or any loss (b) through

* Bearing the title *How Much Blanket Bond Insurance*, it was prepared by the Insurance and Protective Committee and published by the Research Council of the American Bankers Association. A convenient chart enables the banker to compare his bank's coverage with others. Suggested minimum amounts of blanket coverage, on the *fidelity* risk, based on the study, are indicated.

By HAROLD G. EBERLE
and HORACE W. ERVIN

accepting, cashing or paying forged withdrawal orders or receipts for withdrawal of funds, certificates of deposit, money orders, or orders on public treasuries—including any of the foregoing items in (a) or (b) which bear forged endorsements—or any loss (c) through establishing credit or giving value on the faith of various instruments described above, or any loss (d) through paying money, or establishing credit, on the faith of forged letters of credit, or any loss (e) through paying money, delivering securities or establishing credit upon forged written instructions (except untested telegraphic, cable, radio or teletype instructions), or any loss (f) through the payment by a depository of the insured of forged checks or drafts supposedly drawn by the insured on the depository, or any loss (g) through paying promissory notes which prove to be forged, or falsely endorsed, or any loss (h) by delivering property on the faith of a forged receipt or certificate of deposit.

II.—SPECIAL POINTS

THE following special points should be noted:

1. *Securities.* The coverages described above apply to securities owned by the bank or held as collateral, or as pledgee, bailee, trustee, custodian, agent or any other capacity—whether or not the bank is liable.

2. *Property in bank's care.* Also covered against the hazards mentioned above is property placed in the bank's care. This property, in order to warrant this protection, must have been examined and recorded by the bank. The requirement does not apply to loss occurring before midnight of the third business day next succeeding the day property was received.

3. *Bank's property.* Similarly, the bank's property is covered when (a) within any recognized place of safe deposit; or (b) within the offices of any bank or clearinghouse wherever located; or (c) within the United States Treasury; or (d) within the offices of any signature companies for purposes of signature; or (e) while lodged for issuance, validation, exchange, conversion, endorsement, transfer or registration within the offices of the issuers or their agents, or any persons authorized by the insured to procure or manage these functions.

III.—EXCLUSIONS

FORM No. 8 Revised and Form No. 2 contain certain exclusions that should be noted:

1. *Riot.* Excludes coverage of loss resulting from riot, civil commotion, volcanic eruption or similar disturbances of nature—except any loss of property in transit resulting from riot or civil commotion provided the person initiating such transit did not know of riot or civil commotion.

2. *Director's act.* Excluded, also, is loss resulting from any act of any director of the insured, other than a salaried official or a partner of the insured.

3. *Loss from loan* (Form 8 only). Excluded is any loss resulting from any loan made by the insured, or by any of the employees whether authorized or not.

4. *Teller's shortage due to error.* Excluded from coverage is teller's shortage due to error, regardless of the amounts; shortage not exceeding normal teller's shortage is assumed to be due to error.

5. *Property not owned.* Not covered is property in the bank's care unless before the loss the property was examined and its description and value recorded. This does not apply to any loss occurring before midnight of the third business day next succeeding the day property was received.

6. *Customers' safe deposit boxes.* Loss of property contained in customers' safe deposit boxes is excluded, unless caused by the dishonest act of an identifiable employee under circumstances making the insured legally liable.

7. *Travelers' checks.* Excluded are losses incurred in cashing, accepting, paying or giving of any value for travelers' checks in whatever form drawn and loss of unsold travelers' checks in whatever form drawn. Protected, however, is loss of unsold checks under fidelity coverage where circumstances make the insured legally liable, and if such checks are ultimately paid.

8. *Voluntary delivery.* (Applies to form No. 2 only). Form No. 2 excludes protection of loss caused by larceny or theft of any person to whom an employee delivers property or extends credit, unless he does so in dishonesty.

9. *Foreign exchange.* (Applies to Form No. 2 only). Form No. 2 excludes loss resulting from authorized or unauthorized transactions in foreign exchange as the result of fluctuations.

The coverage available to banks through blanket bonds is quite inclusive in scope. The urgent problem today is for banks to carry insurance that is adequate *in amount*. Various papers published by organizations such as the American Bankers Association, Towner Rating Bureau and individual surety companies testify to the too frequent failure of financial institutions to do this. Other articles on blanket coverage, such as those by W. K. Mendenhall, manager of the research division of Towner Rating Bureau, recommend suggested "minimum" and "fair amounts" of coverage, based upon the individual bank's deposits. All such yardsticks deserve consideration by the bank earnestly seeking what is for itself an appropriate amount of fidelity and related coverage.

An interesting fact brought to light by the research division of the Towner Rating Bureau in its canvass of the nation's thousand largest commercial banks and trust companies, and one that attests to the increasing popularity of "packaged" protection, is that, of the entire group that responded, not a single bank was without blanket coverage. This condition does not detract from the efficiency and usefulness of the now obsolescent individual and schedule forms of fidelity bonds, but rather speaks for the compactness, handiness and fitness of blanket bonds to do the job more effectively. It is principally a boost for the favored Standard Form 8 Revised as *primary* coverage, inasmuch as 85 per cent of reporting banks in this survey had either part or all of their blanket protection provided by it. This is accounted for by the broadness of its insuring provisions and widespread appreciation of its "automatic retroactive restoration of losses" without additional cost. The latter, however, is now available also with the No. 2 form of bond.

Hand in hand with the trend toward blanket protection is the determination on the part of bankers to keep losses few and low by following loss prevention and detection methods promulgated by progressive surety companies and recommended also by the American Bankers Association Protective Department. The reward to all for lower loss ratios should eventually be evidenced in a still further reduction of premium rates made possible by decreases in claims. Continuous effort is being carried on to adapt the blanket contract more closely to banks' needs and to have banks insure adequately.

The Investment Question Box

Here is a selection of typical questions asked by bankers who attended the recent series of investment forums conducted in 11 cities by the Bond Portfolio Committee of the New York State Bankers Association. The author, an investment officer of a metropolitan bank, addressed a number of these meetings.

WHY should a bank have a written investment program?

Nothing helps as much to clarify ideas as trying to put them down in black and white. Unless a bank's investment plan is placed in writing and formally adopted by the board of directors, and unless it is reviewed carefully at regular intervals, there is always a tendency to operate the bond portfolio on a basis of temporary expediency rather than long term policy. A written program is a protection against unintentionally assuming too much risk in securities. It is a safeguard against impulsive decisions. It should serve as a general guide for all investment transactions.

WHAT should the investment program include?

A comprehensive program will cover all of the important aspects of the bank's investment problem. There should be a statement of minimum requirements for cash and secondary reserves in relation to deposit liabilities. There should be a definition of the objectives to be achieved in the portfolio with respect to quality, distribution of maturities and diversification. A policy should be formulated regarding the liquidation of securities that do not conform to these objectives. Provision should be made for building up an adequate reserve against depreciation and losses. Minimum safety standards relating to the bank's capital structure should be included to assure ample protection against the risk of market changes.

WHO should formulate the bank's investment program?

The actual details of the program can probably be worked out most effectively by one man, ordinarily the executive officer of the bank, rather than by a committee or by the full board of directors. The program with adequate explanation of the reasons for its provisions, should then be submitted to the directors, thereby giving them the opportunity to suggest modifications. The executive officer should be sure that the directors fully understand the purposes of the plan.

SHOULD the supervision of the bond account be entrusted to one officer or to an investment committee?

It is usually very desirable to have one man directly responsible for the supervision of the portfolio. In a committee, the division of responsibility may result in dangerous inaction. There should be one man whose job it is to see to it that the policies adopted by the board of directors are actually carried out. It should also be his duty to suggest any changes of policy that he feels should be considered. On the other hand, an investment committee can frequently render very valuable assistance to the executive officer.

How much discretion should this officer have in handling the bond account?

This should depend upon his individual qualifications for the job. In general, it should be the function of the board of directors to decide upon matters of broad policy and to define goals toward which to work, whereas the task of the executive officer, or investment officer, should be to achieve these objectives. The limits within which he may exercise his own judgment should be described clearly in writing and it should be stipulated that any exceptional transactions must be specifically authorized by the full board of directors.

TO WHAT extent should the need for income affect investment policies?

In formulating a bank's investment program, the primary consideration should be assuring an ample degree of safety for the bank. If such a program fails to produce adequate income, its provisions should not be altered but other means should be explored to improve net earnings, either by reducing expenses or by obtaining additional income from other sources. Need for income should not be a consideration until after safety has been assured. In the case of a bank which has a very strong financial position, however, income requirements may be a major factor in determining the investment plan.

SHOULD a definite limit be placed upon the size of the bond account?

The purpose of such a limitation would presumably be to restrict the amount of risk of depreciation in securities. It is apparent, however, that the risk in a bank's portfolio depends far more upon its composition than upon its size. There is obviously more danger in a given commitment in second grade railroad bonds than in twice as large a portfolio of United States Government obligations. It would seem more logical, therefore, to set a limitation on the amount of a bank's holdings of securities which are liable to fluctuate widely in price. This limitation should be related to the bank's net sound capital, or to its surplus, undivided profits and reserves.

SHOULD every bank have a secondary reserve?

Every bank should have an adequate amount of cash and highly liquid securities to enable it to meet any likely demand for funds without difficulty. The term "secondary reserve" is a convenient mental device which many bankers have found helpful in analyzing their assets in order to maintain a proper degree of liquidity.

CAN United States Government securities be regarded as a satisfactory substitute for a secondary reserve?

Prices for medium and long term government obligations fluctuate over a much wider range than prices for prime short term securities which are ordinarily classed as second-

By E. SHERMAN ADAMS

any reserve investments. It is evident that a banker might be forced to realize substantial losses if he were to rely solely upon selling medium and long Governments to meet heavy withdrawals of deposits. On the other hand, United States Government bonds have in the past been considerably more stable marketwise than other types of securities bearing similar maturity dates. They are also superior to other bonds with respect to marketability and as collateral for loans. If a bank is in urgent need of income and can well afford to assume the risk involved, there may be at least some justification, therefore, in using United States Government bonds as a substitute for a secondary reserve, especially when yields on short maturities are so extremely low.

How large should a bank's United States Government portfolio be?

It should normally comprise a substantial proportion of total investments. Government obligations provide the broadest possible diversification because they are secured by the power to tax the wealth and income of the entire country. Under existing market conditions, medium and long term Government bonds seem more attractive for bank investment than most high grade corporate and municipal issues of comparable maturity even from the standpoint of yield, particularly as long as additional tax exempt income can be used to advantage. On the other hand, except in unusual circumstances, a banker should not buy more securities of any kind than he expects to be able to hold to maturity. Neither should he purchase so many bonds that he would be in an embarrassing position if interest rates should rise sharply.

What kind of an investment program should be adopted by a bank with resources of approximately \$1,000,000?

This should depend almost entirely upon the individual circumstances of the particular bank. The following factors may be of chief importance in determining a suitable investment plan: the bank's financial condition, the character of its assets, possible losses that may have to be realized in real estate or in the loan portfolio, the probable trend of loans, current and future income requirements, possible fluctuations in the various classes of the bank's deposits, and the character and the economic background of the territory served.

How should a bank's investments be diversified?

No ideal percentages can be given which would apply to all banks. In certain cases, the entire portfolio should constitute a strong liquid reserve fund and should be restricted solely to United States Government obligations. Some bankers are able to buy good local municipals on an attractive basis and, if these do not possess good marketability, they should be offset by greater liquidity elsewhere. It is less important, however, to achieve any particular diversification

figures than to adhere to high quality standards, to supervise holdings continuously and to avoid over-concentration.

How can a banker persuade his board of directors to adopt a sound investment program?

The average banker has a duty to educate his directors with respect to investments. He should submit to them concise but adequate reports which show what the bank's investment needs are and how they can be achieved. Often the best ammunition that he can use to persuade his directors will be the presentation of an analysis of the actual net results accomplished in the bond portfolio in the past. The chances are that he can demonstrate to them on the basis of their own bank's experience that it pays in the long run to follow conservative investment policies. He may also find that he can best secure the adoption of an investment program by presenting it piecemeal over a period of time.

In liquidating second grade securities, how much weight should be given to the prevailing market outlook?

To answer this question, one must first analyze whether the particular bank is in a sufficiently strong financial position to justify continuing to hold second grade securities at all. If not, there is no sound alternative to immediate liquidation regardless of the market outlook. Even if his bank is in an impregnable condition, however, a banker is usually wise not to place too much reliance upon his own or any other guess as to the future course of the market. In general, bankers who have followed a policy of making steady progress in eliminating undesirable bonds have shown considerably better net results over a period of time than those who have attempted to select just the right time for liquidating.

What kind of records should a banker maintain regarding his investments?

In addition to the usual bookkeeping records, a banker should keep up sufficient information to enable him to supervise his portfolio properly. This should include data regarding his bank which will clearly reveal its investment needs and will serve as a basis for formulating reserve and investment policies. Records regarding the portfolio itself should provide a detailed picture of the composition of the account and show at all times just how much progress is being made toward the bank's investment objectives. There should also be credit files for all individual holdings of corporate and municipal securities.

How much reliance should be placed in statistical ratings for bonds?

A rating should not be regarded as being anything more than a rough indication of the approximate status of a security. Moreover, a rating reflects past performance and is not a forecast for the future. Just as in considering a loan application, a banker should make a thorough investigation of the credit status of a security before he buys it and should reappraise that investment at regular intervals.

Mr. ADAMS' article "Five Talks on Investments" in the March issue (page 74) outlined the investment discussions conducted by the New York association in its state-wide program of the past Winter.

Catching Counterfeiters



HARRIS & EWING

ONE part of the Federal Government's campaign in its combat with counterfeiters is the Secret Service film, *Know Your Money*. Eight stills from this film are shown below and on the opposite page. This picture is only one phase in a well planned program of public education in counterfeit detection, other parts of the program being the series of talks and demonstrations recently held throughout the country, one of which is pictured on the opposite page, and two Hollywood-produced films on the work of the Secret Service (see *BANKING* for February 1940, page 45).

An interesting fact about the Secret Service's own film is that all the actors are Secret Service personnel, and the script was written by an agent in the organization's Boston office. Lowell Thomas is the film narrator.

Up to this time more than a million and a half persons have seen the film in all parts of the country.

Groups of 100 or more may borrow the film, prints of which are on hand in all the nation's Secret Service districts.

Left, Frank J. Wilson (standing, left), Chief of Secret Service, Harold N. Graves, assistant to Mr. Wilson, and, seated, teletype operator Richard S. Sanderson in the Washington office



1. Counterfeiters with a supply of new spurious notes



2. Grocer receives Secret Service warning circular by mail



3. Grocer phones police on receiving counterfeit. (Note warning circular pasted in cash box lid)



4. Clerk delays passer of counterfeit note on some pretext until local police arrive



Above, one of the talks by Secret Service agents in which the characteristics of genuine notes were contrasted with the flaws of the spurious variety. In many cities groups of people whose work entail handling currency were shown by the Federal experts how to avoid being victimized by counterfeiters. This was an early phase of the "Know Your Money" program

Right, a four-page folder typical of those printed by banks which sponsor the showing of *Know Your Money* in their cities. The Secret Service furnishes the copy for these folders and they can be printed locally with any desired statement as to their sponsorship — bank, clearinghouse organization, etc.



TO THE PUBLIC

The United States Secret Service has been authorized by the Secretary of the Treasury, the Honorable Henry Morgenthau, Jr., to show throughout the country educational films as an aid to crime prevention. These pictures, prepared in close collaboration with the Secretary and other Treasury Department officials, are intended to instruct citizens against the twin dangers of counterfeit money and Government check forgery.

Observance of the few simple rules contained in this leaflet will safeguard the pocketbooks of the nation. Therefore, we urge every person who receives the pamphlet to preserve it and carefully study its contents.

The United States Secret Service is grateful for the whole-hearted cooperation which it has always enjoyed from your police and peace officers, and we now solicit the assistance of every American citizen in this humanitarian aim to prevent crime, for without YOUR help, as well as that of your local law-enforcement officers and other Federal agencies, our task would be well-nigh impossible.

Frank J. Wilson

FRANK J. WILSON,
Chief, U.S. Secret Service

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5. Grocer's message is broadcast on police radio



6. Motorcycle police, arriving, arrest accomplice in car



7. Police arrest the passer of the counterfeit note, and for purposes of later trial . . .



8. . . obtain grocer's identification on the counterfeit note which he received

Consumer Credit Operating Costs

The author, a national authority on consumer credit, has done research work in this country and Europe for personal loan and instalment finance companies in his capacity as industrial engineer. He is a graduate of the Massachusetts Institute of Technology.

WHEN the banker entered the consumer credit business to the tune of some 100 banks a month for the last 18 months, that was news.

And it was good news, because these bankers had proved to themselves that they could service Mr. and Mrs. Public *with safety* and at gross interest rates which at last gave the bank and its depositors a living wage for their money in a money market where wages for capital had almost disappeared. And, mind you, Mr. and Mrs. Public in many instances were and are being served by the banks better than they ever were before.

So confident am I that this story is just beginning to unfold and that it will be told by many pens far abler than mine that I venture to present to you another side of this business—a side not so well known but of paramount importance if this service of the American banker to the American people is to continue in the substantial way in which it has begun.

That side is the vitally important one of operating costs.

It is no news to you bankers that you are making a gross yield of approximately 12 per cent per annum or more on your personal loans and other types of consumer direct financing on the instalment or amortization plan.

But it may be real news to you to learn that some of your consumer debtors are getting a free ride from you at your expense—that, in spite of a gross yield of 12 per cent per annum, some of your borrowers are paying you nowhere near enough to cover your cost of putting their loans on your books, let alone collecting them.

As bankers your thoughts naturally turn toward interest rates and yields—you say that an investment of so many dollars will return you so much per cent. And, naturally, you are inclined to think of your operating expenses in the same way—you will say that it costs you so much to lend so many dollars. You are thinking in terms of dollars: you are in fact saying that all of your operating expenses are per dollar expenses.

That such thinking is inaccurate I can quickly demonstrate to you.

Take the job of acquiring a loan: Your staff is going to draw on the same sources to the same extent for its credit information. That credit information will cost you no more whether it is for a \$50 or a \$300 loan. With the credit information in hand your staff will go through the same motions in authorizing, entering and recording whether the loan is for \$50, \$300 or some other amount.

Clearly, then, we have here an expense which is a function not of the dollar value of the loan but of *the number of loans*—a per item expense.

These per item expenses are a most important element of your operating costs. Most of the expense of putting a loan on your books is per item expense. So is a large part of your collection expense.

What will it cost you to put a loan on your books?

That's something for you to find out. It will vary from bank to bank and from territory to territory depending upon the efficiency of your operation and upon the character of the volume you are doing.

But I can tell you that it runs from \$1.25 to \$2.75 per loan in well managed, profitable operations in the personal loan business. This range is based on data obtained from my own practice and from interviews with bankers and operators who, I believe, have analyzed their costs reasonably well.

This cost of putting a loan on your books—the “acquisition cost per deal”—includes all the expense of advertising and solicitation, credit investigation and authorization, checking the documentation of the loan and the lien instruments, and making the necessary bookkeeping entries to record the loan.

THE NEXT STEP

AND when you've determined your acquisition cost per deal then you're ready for the next step—your collection cost per instalment. Every loan you put on your books must be collected and that costs money to do.

The salaries of bookkeepers, cashiers, clerks in the personal loan department, filing clerks, collectors and checkers belong for the most part to collection cost and can be reduced in general to a per item basis. The salaries of tellers should be allocated in part to collection cost, and it may be possible to reduce legal expense to a per item basis as well. Postage, telephone and telegrams, printing and stationery and a number of miscellaneous items can be traced, as a rule, down to a collection cost per instalment.

Again drawing on data in my files and on interviews with bankers and operators, I find that the cost of collecting each instalment of a personal loan runs from 20 cents up to 35 or 40 cents. True, I know of one banker who estimates his collection cost per instalment to be as low as 10 cents. I have not had an opportunity to verify that estimate. On one job I did for a leading department store last year we did develop a collection cost of a little less than 10 cents per instalment. But such low collection costs cannot be obtained except by highly efficient, experienced and trained organizations which have reduced their operations to the barest essentials.

Establish your collection cost per instalment right now and check up on it at regular intervals as long as you are in the personal loan business.

Here, too, you will find that an analysis of your collection costs will suggest new ways of doing things, new economies which can be effected. Just as the determination of your acquisition cost per deal will lead to definite improvements in that end of your business so here, too, you will discover better ways and means of serving your community.

With the foregoing discussion in your mind, certain questions must now leap forward.

“Why,” you are going to say, “what you tell me here is that it's going to cost me just as much to put a \$50 12-month loan on my books and collect it as it is to do the same thing for a \$300 loan. That means I'm going to lose money on every \$50 loan I write!”

By OTTO C. LORENZ

You're right. You are going to lose money on every \$50 loan you put on your books at a \$3 rate unless your acquisition cost per deal and your collection cost per instalment are well below the minimum in the two ranges I gave above.

Suppose your acquisition cost per deal was \$2.25 and your collection cost per instalment was 30 cents. Then it would cost you \$5.85 to put the \$50 loan on your books. If \$3 was all you were getting in the way of interest and service charges then your borrower would be getting a free ride from you to the tune of \$2.85. Not only would all your gross income on that deal be wiped out but you'd be establishing a loss on your books equivalent to almost 100 per cent of that gross income!

Your \$300 borrower, on the other hand, is making money for you. Again, it costs you only \$5.85 to put his loan on your books and collect it. But this time you are getting at least \$18 the way of interest and service charges.

So your \$300 borrower is not only making money for you; he's helping to carry the load on the deals which are developing a loss for you.

This is another way of saying that your high balance long term deals are profitable, whereas your low balance short deals may take your operation straight into the red.

Do you know how much of your business is in the profitable area? How much in the unprofitable area? And where is your break-even point? If you don't know, how will you find out?

First of all, determine your acquisition cost per deal—find out what it costs to put a loan on your books. Then establish your collection cost per instalment. Some of the figures you gather to determine these two controls will also be useful to you in classifying your volume. You must know how many \$50 6-month deals you are writing, how many \$300 15-month deals. That is to say, you must classify your volume month by month by the size of each deal and by its maturity.

Your volume classification is of present importance. In some territories, to my certain knowledge, the trend is away from the profitable high balance long term deals toward the unprofitable low balance short term deals. You'll want to know if your business is trending that way and, if it is, how much.

Make absolutely sure of your own operating conditions.

The value of such work will become apparent quickly and in many ways. It will result in economies of operation and in new and better ways of serving your community and the interests of your bank and its depositors.

Per dollar expenses as well as per item expenses must be considered. Per dollar expenses thread their way through every consumer credit business and will make up an important percentage of your operating expense. Space does not permit a discussion of them at this time, however.

But at least make sure that you know:

1. What your acquisition cost per deal is;
2. What your collection cost per instalment amounts to; and
3. What your volume looks like and where it is trending.

Then, on the basis of these three controls, you can make a pretty fair budget of your operations from month to month. You can make sure that you are keeping your operating expenses well within your earned income.

There is another reason for doing all this, perhaps the most important reason of all.

The efforts of legislators and politicians to reduce the costs of consumer credit services to the public call for the very serious concern of all of us—bankers, personal loan operators, finance company executives and, most important of all, the legislators, politicians and the public.

That these efforts are most praiseworthy in intent goes without saying.

The reduction in costs toward which these efforts are directed can be attained—attained sanely, soundly and in due course if careful attention is given by all concerned to the costs of operating this business. As time goes on, vast improvements will be made in our procedures for handling consumer credit. Economies will be effected. Some economies are already in sight and will be passed on to the American public in accordance with modern business methods.

But the legislators and politicians must not impose laws for rate reductions blindly. Their efforts to lower the ceiling for rates must keep pace with actual conditions. They must not proceed to arbitrary acts without careful examination of the actual costs of operating this consumer credit business. Their examination must not be confined to any one institution but must embrace the many who are engaged in servicing this public need.

Then—and then only—can the legislators legislate wisely. If we fail to provide them with reliable data they may legislate us out of existence by lowering the ceiling for rates to a point where neither you nor anybody else can operate profitably.

Let us therefore lose not a moment in arriving at an accurate knowledge of what it costs us to do this consumer credit business. Then, and then only, shall we feel reasonably safe that we shall be permitted to continue a sound business vitally important to the welfare and happiness of the American people.

Know Your Costs

“EVERY business man knows his toughest competition comes from an incompetent rival who does not know his costs.” That was part of the testimony given by a well known banker before the Senate Committee on Banking and Currency in 1939 in connection with banking matters. How true that statement is and how accurately it applies to all business when competition is a factor to be reckoned with!

In the studies this department has made in the field of consumer credit as it applies to banks, costs and the procedure necessary to arrive at them accurately appear to be the particular information many banks now need. This business of small loans is only good for banks if it can be operated on a profitable basis. We know profits only when we know costs. It is, therefore, our duty not only to our own banks but to the banking business as a whole to find out all we can about them.

Beginning with this issue of *BANKING*, a series of articles on consumer credit department costs will appear over a period of the next few months. This first article is by Otto Lorenz, an industrial engineer with a long experience in instalment lending. Mr. Lorenz has made a careful study of the subject and has the necessary practical background, which is equally important.—WALTER B. FRENCH, Deputy Manager in charge of the Consumer Credit Department of the American Bankers Association.

Your Taxes

By DONALD HORNE

The author, a member of the New York Bar, has been a specialist in tax law for many years, was formerly special attorney for the Bureau of Internal Revenue, later tax counselor for the Institute for Economic Research, and a contributor to the New York Times, Wall Street Journal, Review of Reviews, Tax Magazine, Management Review and other publications.

Unpaid Note Not Deductible

ATAXPAYER and other stockholders of a bank agreed with it and with each other to guarantee its solvency, and thus enable it to merge with another bank. The taxpayer later gave his note to the bank in payment in accordance with this agreement, with collateral security, but was not called upon to pay the note. He could not, if he made his income tax returns on the cash basis, deduct the amount of the note or any part thereof as a loss, even though the note was given in payment of his previous guaranty agreement. The Supreme Court, in *Helvering v. Price*, decided March 25, 1940, held that the giving by the taxpayer of his own note was not the equivalent of a payment in cash, and the giving of collateral security for performance did not transform the promise into a payment. This case approves and follows the principle announced both by the District Court for Connecticut and the Circuit Court of Appeals for the Second Circuit, affirming, in *Jenkins v. Bitgood*, 101 F. (2d) 17.

Tax Lien and Partnership Account

THE Bureau has held, in IT 3356, I.R.B. 1940-11-10197, p. 2, that a Federal tax lien asserted by service of a distraint warrant on a bank to collect income tax assessed against an individual, would have no effect on the checking account of a partnership of which the individual was a partner. The reason given was that the account was owned by the partnership and was not an asset or property of the individual partner. It was said that the Government's remedy was to distrain and sell the partner's interest in the partnership itself or its assets.

Gift Tax Insurance Valuation

AT last a conflict between Circuits has arisen as to the proper method of valuing single premium life insurance policies for gift tax purposes, and the Supreme Court may reasonably be expected to grant certiorari and settle the question. Although the Board of Tax Appeals and the Circuit Courts of Appeals for several Circuits have consistently held that the value at the date of the gift, where such policies, issued payable to the donor's estate, are placed in trust for beneficiaries, is the cash surrender value, and although the Bureau of Internal Revenue has not applied to the Supreme Court for certiorari in these cases, the Bureau has continued to value such gifts on the basis of replacement cost as of the date of the transfer to the trustees. Now, on March 18, 1940, the Circuit Court of Appeals for the Second

Circuit has approved the replacement cost method. *Guggenheim v. Rasquin*.

In such a policy, it is necessary to name the donor's estate as beneficiary, as this is the only means by which the donor can control, by trust deed, the use and ultimate disposition of the proceeds after his death, other than in accordance with certain standard options. Consequently, the donor is, upon its issuance, the owner of the policy, and can transfer only what he has. Immediately upon issuance, however, the policy has a cash surrender value of substantially less than its cash cost, and there is no other market than the insuring company.

Former regulations prescribing cash surrender value as the value of the gift were amended in 1936, but the courts, except in the case named above, and one other District Court case, have refused to treat the amendment as retroactive, and have held the regulations in force at the time the trust deed was executed were controlling. The opinion in that case considers the amendment to clarify the original regulation and to state what was intended by the earlier regulations.

The cash surrender value is less on the day of issuance than the cost, because certain amounts, including agent's commissions, overhead expenses of the company, and some amount for reserves, are taken out and paid or set aside for payment. It is illogical to consider the value of the gift an amount in excess of what could be obtained for the policy.

The fallacy in the replacement cost method seems to be that it takes no thought of what the donee gets. The court in the *Guggenheim* case expresses the official view very clearly and concisely when it says:

"The gift tax, it is to be borne in mind, is imposed on the donor and is measured by the value of the property given by him, not by the value of the property in the hands of the donee. Here the donor's estate was depleted by the amount which she paid for the policies, not by their surrender value."

The gift tax, however, is imposed on the donee, alternatively, and is a liability of the donee unless the donor pays it. It takes two to make a completed gift, a giver and an acceptor. A gift is a transfer without consideration, and its value must consist of what the donee got, which is what was transferred to him. He is not concerned with the amount by which the donor's estate was depleted, except to the extent that the amount of the depletion came into his hands.

It is believed that the value of the gift will ultimately be held to be the cash surrender value of the policy at the date of the transfer by the donor to the trustee, and not the replacement cost of the policy as of that date.

Improvement by Lessee as Income

THE Supreme Court has held, on March 25, 1940, in the case of *Helvering v. Bruun*, that gain is realized by a lessor, upon termination of a lease for non-payment of rent, to the extent of the value of improvements by the lessee. The decision qualifies previous conceptions of realization of income, and is the occasion of a number of important questions, which will be discussed in a later issue of *BANKING*.

A Hemisphere Bank

New York, N. Y.

SO far as their opinions of the enterprise are concerned, those bankers who have studied the plans for a Bank of the Americas under the joint ownership and operation of the governments of the United States and Latin America may be said generally to fall into one of two categories. In group one are those who are totally unsympathetic to the whole scheme; in group two are those who think that some or all of the purposes of the projected institution are laudable, but that a "B.I.S. of the Western Hemisphere" is not the most suitable vehicle for carrying them out.

Perhaps the very inclusiveness of its stated purposes is one of the reasons for the widespread skepticism toward the Hemisphere Bank. It is traditional that bankers distrust prospectuses that promise too much; and by this test the prospectus of the proposed bank is almost automatically self-defeating; for anyone who gave the matter a moment's thought would realize that no institution directed by human beings could, under even the most auspicious circumstances, live up to its roseate expectations.

While bankers differ as to the desirability of the proposed functions of the proposed Hemisphere Bank, they are extremely dubious, almost without exception, of the merits of the institution itself. Broadly speaking, their objections are summed up in a rhetorical question put forward by one of their members. "Why," asked this banker, "if we must have a bank, should we wrap it up in Pan Americanism?"

This does not mean that the bankers, either as a group or as individuals, are opposed to the efforts of the Administration to bring about closer relations with Latin America. On the contrary, they have every reason for being sympathetic with that program. But they are vigorously opposed to mixing politics and business.

"Consider," said one commercial banker to the writer, "the economic background of this proposed bank. The countries of Latin America do not trade to any extent among themselves. They trade, as individual countries, with the United States. They do not lend money to each other. And they certainly do not lend money to the United States. In other words, the trade is between them and the United States, and the lending is between them and the United States. We are the creditor; nearly all the others are debtors.

"Warren L. Pierson, of the Export-Import Bank, speaking before the Academy of Political Science a few days ago, said that we should lend money to those countries which show a determination to meet their obligations; to those who do not, we should turn a deaf ear.

"This is a sound general rule, but what is going to happen if you, as a representative of the chief stockholding nation of a bank such as is now proposed are asked to pass on a loan to a country whose representative sits at your left, but whose credit record does not conform to the standards laid down by Mr. Pierson? It seems to me that only one of two things can result. Either you will veto the loan proposal, in which case you will almost certainly cause friction with your neighbor, and with his country; or you will approve the loan, in which case it will be a political loan pure and simple. And as a banker I regard a political loan as infinitely

worse than no loan at all. It is simply a thinly veiled attempt to buy the good will of another nation, and as such is hardly more than a refined form of bribery.

"No," concluded the banker, "if we are to set up an international bank in this hemisphere, let us set it up on a basis which will express realistically the underlying relationships of the countries of this area. Let us not tie the hands of this country in advance by making it a political institution. To do so would not merely impair its usefulness as a bank; it would, I unhesitatingly predict, render it a liability, rather than an asset, in the prosecution of our highly desirable good neighbor policy."

EDWARD H. COLLINS

* * *

Washington, D. C.

ALTHOUGH its birth is proving to be somewhat attracted, the proposed Inter-American Bank protocol is expected to be signed before this article is published. Establishment of this bank has been formally proposed by the Inter-American Financial and Economic Advisory Committee.

According to the original proposal, each of the Latin American countries was to contribute capital on a scale drawn up by the committee. Some of the smaller countries have objected to the compulsory investment in the bank allotted to them, and this is one point which caused delay in the inauguration of the institution.

Since the Inter-American Bank is primarily a device for syphoning capital from this country into Latin America, it is contemplated that the bank will issue debentures. From the American viewpoint some criticism has arisen. It is expected that the United States will seek to assure itself the veto power over the bank's lending activities. According to the original draft of the by-laws, this could be accomplished in so far as concerns medium term and long term loans, through the acquisition by the United States of more than one-fifth ownership of the bank's stock. If the United States acquires that much stock it will be by far the largest shareholder in the bank.

While the proposed bank may on occasion perform a useful service in ironing out non-chronic shortages of dollar exchange in different Latin American countries, its most important function will be in the long term development field. Intermediate credits for Latin America are already being provided by the Export-Import Bank.

Holders of defaulted Latin American bonds also are interested in the Hemisphere Bank. According to the proposed by-laws, the bank may not buy securities which are in default; but it is proposed that the bank lend new money to defaulting governments or their agencies. If such loans are made, and if the borrowing country is thereby enabled to give better treatment to existing bondholders, the effect will be to benefit the former private investors at the risk of the governments which participate in the bank.

HERBERT M. BRATTER

Mr. COLLINS is Associate Financial Editor of the New York Herald Tribune. Mr. BRATTER writes frequently for BANKING from Washington.

Building Banking Business

By WILLIAM POWERS

The author has recently become Director of Customer Relations of the American Bankers Association, a position created by the broadened program of President HANES. Mr. POWERS was formerly assistant cashier and manager of personnel and training of the National Bank of Detroit.

WITHOUT a doubt, the double-barreled question of how to meet competition from "outside agencies" and increase bank earnings presents one of the most perplexing problems faced by banks today. The practical solution, simply stated but not so simply put into effect, is to strengthen the relations which hold the business that is now on the books and to increase the sale of interest-earning and fee-producing bank services.

The effort required to make noticeable progress toward the desired condition is more than any man or small group of men can possibly put forth. It is more than a one-man job. It requires the combined efforts of thousands of bank men and women. Many bankers will agree with the statement that effective retention and development of their business depend largely on intelligent and efficient cooperation of the entire bank staff. But most of these executives, although believing in the principle, have made no real attempt to prepare their staff members for the merchandising responsibilities they are expected to assume.

It is generally conceded that only through staff conferences and individual discussions within the banks can the rank and file of employees be trained to assist in the building of the business upon which their livelihood depends. It is true that some of the banks which have tried conference programs have been disappointed in the results. Enthusiasm waned, interest lagged, or the time consumed interfered with operations. Nevertheless, these banks, together with those that have been more successful and others that have had little or no actual experience with intra-bank conference activities, have asked the American Bankers Association to broaden its services. They have asked for further guidance and an outline of suggested procedure in the field of bank employee and customer relations.

That is why the Association is now engaged in gathering data on conference programs and preparing a practical plan that should be effective.

Several months ago there was released, to banks throughout the country, a questionnaire seeking factual information on conference plans and sales programs participated in by staff members. In recent weeks A.B.A. representatives, with the assistance of William T. Wilson, Director of Public Relations, and Milton Wright, well known author and specialist in human relations, personally interviewed more than 200 men in 80 banks, large and small, located in 17 states. The material gathered provides an excellent base upon which to construct a workable system of developing profitable business through staff effort.

Many of the banks have done exceptionally fine work in educating and training their employees, but few of them have crystallized the knowledge and training into business retention and business building. The general attitude seems

to have been that staff conferences are for educational purposes only, although there is certainly no feeling that any institutional plan should or could be broad enough to provide a self-sufficient all-inclusive system of bank employee education. This is evidenced by the fact that banks which maintain internal programs are the most active in such organizations as the American Institute of Banking.

Much of the material used in the bank programs is for the purpose of reviewing lessons and principles that employees are supposed to have already learned. Some subjects are presented in order to bring the participants up to date in developments in current events of a public nature while other subjects are included which, because of their private nature, could not be studied by employees anywhere except in their own institution. This private or confidential classification includes explanations of the bank's own policies, discussions of the bank's earning assets, sources of income and items of expense, and analysis of the bank's statement of condition.

CONFERENCE SUBJECT MATTER

MUCH of the time in conferences is spent on the discussion of the methods and mechanical operations of the various departments of the bank, developments in the general banking structure, the Federal Reserve System, the monetary system, the securities and commodities markets and the other economic, political and social subjects that directly or indirectly affect banking. Considerable attention also is given to reviews of the various banking acts, legislation that refers to taxation, and regulations issued by supervisory authorities.

Very few of the institutional programs incorporate executive training as a major point. However, the promotion and operation of the plans are in the hands of officials who, perhaps unconsciously, subject themselves to a course in psychology and personnel management that is bound to have a beneficial effect upon the manner in which they discharge the duties of the positions they hold.

In connection with customer and public relations, some of the plans attempt to promote a more friendly attitude by employees toward customers and non-customers; and cultivate patience and politeness in handling complaints and answering questions.

All of this material and all of these efforts are undoubtedly worthy; in fact, they are essential in creating a progressive attitude and broadening the background of knowledge and experience necessary to the rendering of efficient, intelligent and courteous banking service. But, in most cases, the whole effort falls just short of being crystallized into action that should increase the selling of banking services. To help banks take this further step, the A.B.A. is now preparing a manual of procedure. Out of the wealth of material, experience and suggestions contributed by many banks, the Association will build a program of staff conferences and staff participation in the merchandising of bank services. In the June issue of *BANKING*, additional information will be given concerning the program which will be available to members in the early Fall.

Yankeeland Customer Relations



Above, when a luncheon was held for the conferees. The conference was sponsored jointly by the New Hampshire Bankers Association and the Savings Banks Association of New Hampshire

Right, a group of bank employees at the luncheon. From the head of the table at the left they are: Harlan L. Goodwin, assistant cashier, First National Bank, Concord; William Quinn, teller, Union Trust Co., Concord; Miss Eleanor Goodman, clerk, Piscataqua Savings Bank, Portsmouth; John Cheney, teller, Amoskeag Savings Bank, Manchester; William C. White, president, First National Bank, Bristol



AT THE SPEAKERS TABLE. Left to right, William H. Weston, treasurer, Whitefield Savings Bank and Trust Co.; N. J. Harriman, cashier, Peoples' National Bank, Laconia; Edgar C. Hirst, president, First National Bank, Concord; Howard Stillman, Supervisor of Examiners, First District, F.D.I.C.; George E. Harris (hidden), president, Nashua Trust Company; Russell H. Britton, president, Rochester Trust Company; William A. Irwin, Associate Educational Director, American Institute of Banking Section; E. Curtis Matthews, president, Piscataqua Savings Bank, Portsmouth; William Powers, Director of Customer Relations, American Bankers Association; New Hampshire Bank Commissioner Clyde M. Davis; Earle A. Welch, treasurer, Meredith Village Savings Bank; Nute B. Flanders, executive secretary, Savings Banks Association of New Hampshire; William J. Barrett, comptroller, Nashua Trust Company; Harry M. Bickford, treasurer, Mechanics Savings Bank, Manchester; Lionel G. Jessop, assistant treasurer, Peterborough Savings Bank; Elwin M. Smith, assistant treasurer, Plymouth Guaranty Savings Bank



MORE than 100 employees of national and savings banks from every section of New Hampshire gathered in Concord, the state capital, on March 27 for a conference.

A feature of the meeting was the attendance of a number of prominent bank, bank association and governmental banking officials. Two members of the staff of the American Bankers Association were also at the conference—William A. Irwin, Associate Educational Director, A.I.B. Section, and William Powers, Director of Customer Relations.

The conference consisted mainly of forum discussions on customer relations. Regional conferences are now being held locally on the same subject.

The Legal Answer Page

Pensions

AT the time when many banks are considering the establishment of pension systems for their employees, it is pertinent to discuss the problem raised in a Federal case whether the bank's board of directors can do so without the sanction of the stockholders. Since it is the general rule that the administration of a bank is a matter for the board, not the stockholders, it is believed that the board has the legal right to establish a pension plan without securing the approval of the stockholders. This position is strengthened in the case of a national bank by the provision of the United States Statutes giving the board "all such incidental powers as shall be necessary to carry on the business of banking."

However, this opinion is not to be interpreted as a recommendation not to obtain the approval of the stockholders to the establishment of a pension system.

Forgery—Negligence

THAT ever-present, troublesome question of forged indorsement was the subject of a lengthy decision in the case of *Scott v. First National Bank in St. Louis*, 119 S.W. (2d) 929. Because this case so clearly sets forth the principles of law involved, it will be discussed in some detail.

The suing depositors, two copartners, were engaged in the real estate business. Among other activities they managed for the owners numerous apartment properties, collecting rents, seeing to repairs, upkeep, operation, etc. They issued many checks in the course of their business, the number approximating 500 each month. The forger, Meyer, was employed by the depositors at the time of the forgeries, as bookkeeper. He had previously been assistant cashier as well as bookkeeper, but after he had embezzled some of the firm's money he was discharged and subsequently re-employed as bookkeeper only. He did not have authority to sign checks, nor to approve vouchers for disbursements, but he did prepare the checks for bills approved by another employee. He was not supposed to deliver the checks, but if the payee was present and waiting, he did hand him the check. On checks on which Meyer intended to forge the indorsement, no approved bills were attached when submitted to the signing officer. The payees named in such checks were all doing work for the plaintiff, but the checks did not represent indebtedness actually owing to them by plaintiffs and the amounts were considerably larger than the named payee usually received. Moreover, on many of these checks Meyer indorsed his own name after the indorsement he forged.

Although Meyer was in charge of the subsidiary ledger in which no records of the forged checks was made, if a trial balance of that ledger had been taken and compared with trial balances of the general ledgers in which the forged checks were entered, it would have been revealed that the accounts were out of balance.

The court held that as to the earlier forgeries, the negligence of the depositors was not such as related to the forgery or its detection and the payment of the check, but

concerned merely the mistaken issuance of the check. And, regardless of negligence in bringing a negotiable instrument into existence, no subsequent transferee can get any right under it (unless it is payable to bearer) except through the payee's valid indorsement.

However, as to the later forgeries, the court held that it was a question of fact as to whether the plaintiffs had exercised reasonable care in examining the checks returned to them. If they had taken any one of several customary precautions, they would have disclosed the forgeries and prevented the successful continuance of the frauds.

Return of Cancelled Checks By Mail

BANKS which follow the practice of returning by mail cancelled checks together with the statements of account are not always fully informed of their possible liability. If the checks are lost in the mail and the depositor claims that he has not drawn certain of the checks charged against his account, the best evidence that the bank has paid the amounts charged to its customer's account is lost, for the best evidence is the checks themselves. The bank then has to rely on other evidence, namely, its ledger account with the customer. It is up to the jury to decide whether to believe the bank or its customer.

This situation could be avoided by requiring the depositor by agreement to assume the risk of loss if the vouchers are mailed to him by the bank.

Debenture Interest Not Deductible

THE general rule that interest is deductible in determining taxable income has been held not to apply to debenture bond interest which cannot be distinguished from preferred stock dividends. The court said that "the name is not conclusive of the nature of the securities", and that "the payments were not a charge upon the business but only in the nature of dividends." The decision was rendered March 18, 1940, by the Circuit Court of Appeals for the Second Circuit (New York) in the case of *Commissioner v. Schmoll Fils Associated, Inc.* The company, under a plan of refinancing, had bought in its outstanding 7 per cent preferred stock and had sold back to the stockholders 7 per cent debenture bonds having four distinctive characteristics: (1) no maturity date, (2) principal to be repaid only upon liquidation, (3) interest payable only out of profits, and (4) both principal and interest subordinated to the amounts due to bank creditors. The court held that these four characteristics, taken together, were sufficient to defeat the attempted interest deduction. The court treated as of great importance the fact that there was no maturity date, saying that "the debenture holders do not possess the ordinary rights of creditors to obtain unconditional payment of their claims at some time", but did not decide that this feature alone was enough to determine the issue.

Practical Trust Research

WHEN President Robert M. Hanes announced that the American Bankers Association was broadening its activities so as to permit more personalized service to member banks, he said the new program was being patterned after the work done by Gilbert T. Stephenson, Director of Trust Research, The Graduate School of Banking.

"Through students majoring in trust subjects at the Graduate School, and trust executives everywhere," said President Hanes, "Mr. Stephenson conducts continuous research in the trust field. He presents the results to banks and trust companies in individual conferences and in meetings called Trust Research Weeks which he holds in various cities, interpreting to them and other groups, such as life insurance underwriters, law school students, and bar associations, developments in the trust field. His work has been outstandingly successful and productive for trust institutions.

"A similar technique will be applied to other fields under the new program."

Just what is this technique? What are the Trust Research Weeks, the conferences and the other activities that com-

prise the trust research program, now in its fourth year?

Tackling the first question, a glance at the accompanying map will show that the technique involves extensive traveling. It means that the results of trust research projects developed by Mr. Stephenson, his trust students at The Graduate School, the Trust Division of the Association, etc., are being taken personally to the trust men and others interested. It means that in meetings and conferences, formal and informal, trust facts are going directly to those who can use them.

Trust Research Weeks have so far been held in 17 states; in May there is to be one in Portland and Bangor, Maine, while Nashville and Memphis are to share another, bringing the total number of states to 19.

The procedure differs from city to city, for local conditions vary, but in general it is somewhat as follows:

Mr. Stephenson, with the cooperation of local banking and trust institutions, students of the American Institute of Banking, and alumni or students of The Graduate School, arranges a comprehensive program that usually provides five days of activity. He holds interviews and conferences

A ★ IS A TRUST RESEARCH WEEK. A ● IS A CONFERENCE OR MEETING.

It's a temptation to caption this map "The Odyssey of Gilbert T. Stephenson", for it shows how extensively the Director of Trust Research in The Graduate School of Banking has travelled in presenting trust facts to bankers, lawyers, life insurance men and the public.

The stars represent cities in which Mr. Stephenson has held or is soon to hold Trust Research Weeks, while the dots stand for places where he has conducted one-day state-wide or trade area conferences, or where he has spoken.

The map doesn't attempt to show every meeting he has attended. The purpose, rather, is to suggest the extent of his journeyings.

The Week in Portland and Bangor, Maine, and that in Memphis and Nashville, Tennessee, will be held this month.



with the heads of trust institutions or departments, with technical trust men, and with Graduate School men who are majoring in trusts. Likewise, there are conferences with life underwriters and local attorneys, and perhaps a luncheon with the dean and faculty of a law school, if the Week is being held in a college town. Frequently Mr. Stephenson talks to the American Institute of Banking students who are taking trust courses, and confers with the chapter instructors.

An outgrowth of the Trust Research Week is the statewide or trade area trust conference. This has been useful in sections of the country where an entire week of activity was impractical, or where a special occasion was bringing together the trust men of the state or section. Several of these conferences have been held since the first of the year. The most recent were at Montpelier, Vermont, and Manchester, New Hampshire, last month. In May similar meetings are scheduled for Tulsa, Oklahoma, and New Haven, Connecticut.

The first conference was at Columbus, Ohio, under auspices of the Ohio Bankers Association. The secretary of that organization collected for the trust men in the state a list of the trust business questions they wanted to have discussed. These queries were sent in advance to Mr. Stephenson who classified and arranged them. The conference itself, lasting one day, discussed the agenda thus compiled. There was also a dinner meeting attended by the visiting trust men and the officers and directors of banks and trust companies in Columbus.

In general, that plan has since been followed, and there have been conferences in Houston, Nashville, Columbia, S. C., and Palm Beach, among numerous other places, in addition to those in the two New England cities mentioned above. This appears to be a most effective means of circulating trust information in the sparsely populated states and trade areas.

Another useful channel for the distribution of trust facts is the law school discussion. Mr. Stephenson holds many of these meetings in connection with Trust Research Weeks, but he also visits law schools in other cities. The discussions take the form of meetings for the advanced students. The

topics covered by Mr. Stephenson in his talks to them include such subjects as the discretionary power of trustees under wills and trust agreements, adapted to the states in which the schools are situated or in which the students are likely to practice law. Distribution provisions of wills and trust agreements is another subject.

Included in Trust Research Week programs have been the following institutions: Atlanta Law School; Detroit College of Law; Emory University, Atlanta; Georgetown University Law School; Indiana Law School, Indianapolis; Indiana University Law School, Bloomington; Kansas University, Lawrence; Lumpkin Law School, Athens, Georgia; Mercer University Law School, Atlanta; Northwestern University Law School, Chicago; Omaha Law School; St. Louis University Law School; South Texas School of Law, Houston; University of Baltimore Law School; University of Colorado School of Law, Boulder; University of Denver Law School; University of Detroit Law School; University of Kansas City Law School; University of Maryland Law School; University of Minnesota Law School; University of Notre Dame Law School; Washington University Law School, St. Louis; Wayne University Law School, Detroit; Westminster Law School, Denver; Woodrow Wilson College of Law, Atlanta.

Mr. Stephenson has also visited the law schools of Columbia, Duke, Harvard, Chicago, Michigan, North Carolina, Virginia, Yale, Pennsylvania, Minnesota and Wisconsin universities, and Wake Forest College.

Addresses to meetings of bankers, insurance men, local service clubs, lawyers, businessmen and other cross sections of American life provide still another important channel for the distribution of trust information. Many of the dots on the map represent gatherings of the sort.

All this is a practical program for distributing information. Essentially, it is the elbow to elbow, across the table method, Jim to John method—informal, direct and personal.

It is already being adapted successfully to the uses of the new program that has expanded the Association's services in agricultural credit, consumer credit, customer relations, mortgage finance and other fields.

Mr. Stephenson explains a point to his trust students at The Graduate School of Banking



Atlantic City

September 22-26

AS preparations for the American Bankers Association's 66th Annual Convention go into high gear, it is interesting to note the times that previous Atlantic City meetings have been held—five in all.

The first in the premier convention city was in 1907, a depression year; the next was 1917, in the midst of our war effort; the third was 1923, the year of the post-war boom; the fourth in 1925 during the heyday of the Coolidge era; the fifth in 1931, when the last depression was well under way; and now the sixth Atlantic City meeting comes in a war year.

BANKING makes no attempt to draw a sage conclusion from this coincidence, except to remark that the Association's program of service to members has constantly grown through depression, war and prosperity, and that in this respect the approaching Convention is perhaps the most important since the historic meeting in Saratoga Springs in 1875.

Left, a segment of the famous Atlantic City beach

Below, the Municipal Auditorium where the General Sessions of the Convention will be held

SAWDERS FROM CUSHING





Boston and the harbor, with the Charles River Basin at the lower left

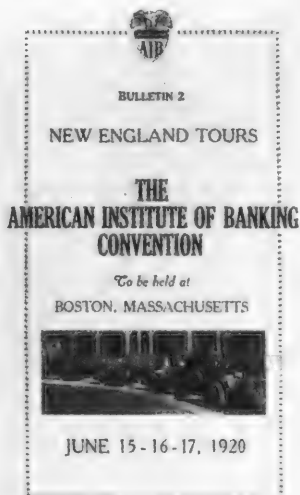
The A.I.B. Is Going to Boston

THE 38th annual convention of the American Institute of Banking Section is to be held in Boston this year from June 3 to 7, inclusive. It is the second time that the historic New England City has been host to the A. I. B., the first occasion having been in 1920.

* * *

Subjects of discussion at the 1920 Boston convention were savings, trust work, advertising, publicity, "To What Extent Should the Institute Participate in Public Affairs?", "Making Chapter Meetings a Success", the Federal Reserve Board, etc.

A booklet issued for delegates to the last Boston convention of the A. I. B.



The resolutions adopted at that convention began: "The world is facing courageously the period of reconstruction and readjustment. In our economic, political and financial life we are confronted by great and grave problems. Radicalism is rampant. Labor is restless. . . .

"Education of the individual offers a solution of these problems and education is the basic principle of our Institute. Increasing its scope each year, the value and efficiency of our educational program is manifested by the augmented number of certi-

cate holders and by the promotion of Institute graduates to executive positions of trust and responsibility."

* * *

In 1920 the Institute had 85 chapters, 32,303 members and 3,420 standard graduates. Since then the number of chapters had increased three-fold, and the number of members has more than doubled, the present figure being 67,702. The number of standard graduates has increased about eight times in the 20 years.

* * *

When BANKING was very young—in fact, in its second issue, that of August 1908—the A. I. B. Providence convention was reported. BANKING, then *The Journal of the American Bankers Association*, said: "The Convention of the American Institute of Banking at Providence in July was attended by nearly four hundred delegates of creditable dignity and conservatism. In subjects considered and in parliamentary procedure the junior bankers compared favorably with their seniors as assembled in the conventions of various states and in the Convention of the American Bankers Association."

* * *

The program, as described in BANKING's earliest story on an A. I. B. convention, included such matters as "Treasury Issue versus Bank Issue", "Currency Reform or Panic Panacea", and "Public Sentiment as to Currency Reform".

"In accordance with the unwritten law of the Institute", the report states, "the banquet was 'dry'."

* * *

This year marks the 40th anniversary of the Institute's founding, although the convention is numbered 38, the first having been held in 1903. According to plans revealed by the Boston committee, the hosts are planning to make this a memorable meeting, offering this Section of the American Bankers Association the same attractions and opportunities for pleasure in and around Boston that the Association's Convention enjoyed there in 1937.



A random dip into BANKING's files produced this picture of the ninth annual convention of the A. I. B. Section, held in Rochester, New York, in 1911. The report of that meeting said that "Education was properly paramount. . . . Institute politics was strenuous as usual, but in no way discreditable." This is the way the picture appeared in the magazine—the left half above the right

At the right is the Institute's Executive Council in 1910, at the end of the organization's first decade. *Left to right:* top row—Frank M. Cerini, D. J. Lyons, F. L. Underwood, Carroll Pierce, George A. Jackson, W. S. Evans; middle row—D. C. Wills, Brandt C. Downey, Alfred M. Barrett, Ralph C. Wilson, E. C. Phinney, Frank M. Polliard; bottom row—George E. Allen, Newton D. Alling, E. A. Havens, A. Waller Morton



THE 1940 BOSTON CONVENTION COMMITTEE. *Front row, left to right:* Ernest W. Lay, personnel; George D. Grimm, transportation; David Scott, vice-chairman and reception; William Willett, general chairman; Ansel E. Bucklin, vice-chairman; Dora C. Hallberg, women; Robert J. Lusk, registration. *Back row, left to right:* Herbert E. Stone, hotels; Parker O. Bullard, entertainment; Robert F. Nutting, arrangements; Stanley Rawstron, information; Olney S. Morrill, halls and meeting places; T. Edward Kellar, clubs; Wilbur F. Lawson, finance; Horace A. Danforth, publicity; Joseph Morris, debate and public speaking



Sixth Year At Rutgers

THERE was an unusually large number of applications this year for enrollment in the Graduate School of Banking conducted by the American Bankers Association at Rutgers University. The Class of 1942, which will make its first appearance on the campus from June 17 to 29 this year, will have a membership of about 225, and a total of more than 680 Graduate School students will be on the campus for the two weeks' session.



Right, G. S. B. students on the campus



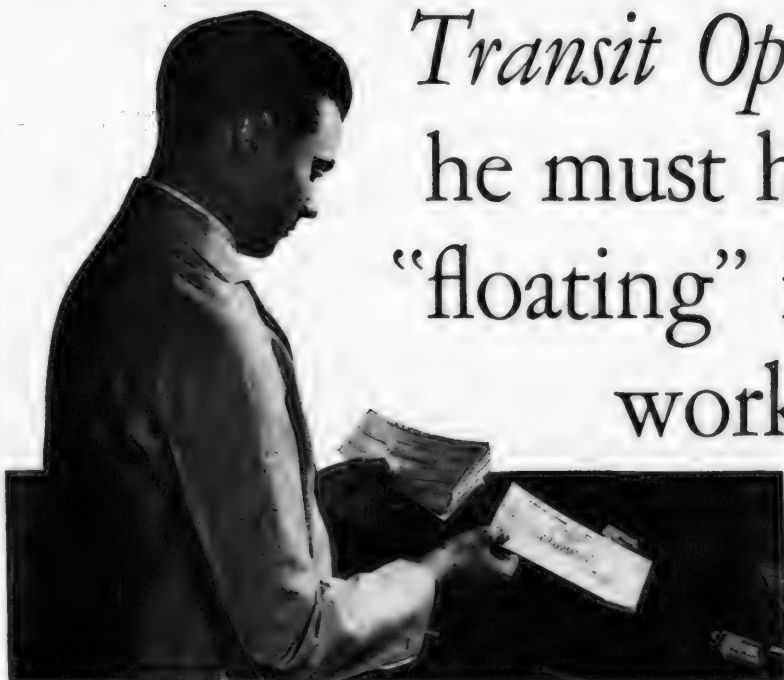
STANDARD FLASHLIGHT

Above, G. S. B. faculty and, below, faculty members and more than 100 alumni at the annual Spring reunion held at the Downtown Athletic Club, New York, April 6



STANDARD FLASHLIGHT
BANKING

Transit Operator... he must help turn "floating" funds into working funds — quickly



IN writing cash letters the complicated old-fashioned way, the transit operator sorts, laboriously describes, and lists—functioning under pressure with the forced pace of a highly trained worker. For time is vital, if funds are to be made available quickly, and the size of the "float" kept down.

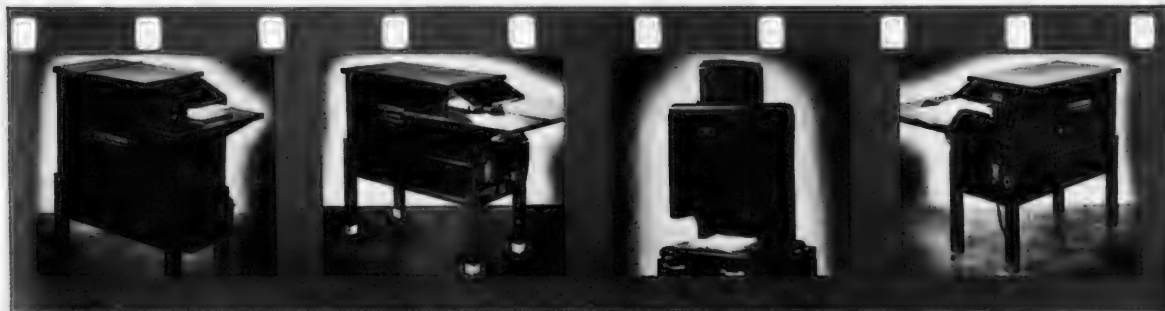
With Recordak, the transit operator's speed and efficiency are multiplied. As he lists the items on an adding machine, Recordak "describes" them photographically, making obsolete the bare record of city, bank, and amount by a facsimile complete and accurate as only a photograph can be. Differences are reduced to a minimum.

Recordak enables him to handle up to 2500 items an hour... without Recordak, he did well

to list and describe 600 items in the same time. And by saving time and machines, Recordak saves money. In thousands of banks of varying size and volume, it reduced operating costs in the transit department by as much as 45%.

Both bank and depositor enjoy the complete protection afforded by photographic records retained in tamper-proof, extraction-proof, and substitution-proof form.

Recordak Systems require no capital outlay; the machines are rented, not sold. Recordak Systems are serviced from twelve conveniently located offices... one close to your bank. For further information, write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.



Bank Model Recordak. Rental \$25 per month. For speeding up the transit operations and for photographing paid checks for the protection of banks and depositors.

Reversible Recordak. Rental \$30 per month. Photographs both sides of checks and larger bank forms at a single operation—and does this at lightning speed.

Recordak Junior. Rental \$12.50 per month. For smaller banks, and special departments of large banks (tellers' cages, safe deposit vaults, trust and filing departments, etc.).

Commercial Recordak. Rental \$30 per month. For photographing all bank forms. Widely used for the Recordak system of single posting and other specialized applications.

RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS



• Even a mistake of one cent can prevent the biggest bank in the world from balancing its books. In public relations, too, little things can swing the balance against—or in favor of—a financial institution.

Take checks, for instance. They reflect a picture of your bank wherever they go. Is it the picture you want the public to have?

Todd Super-Safety checks convey impressions of prestige and protection. They are crisp ...smooth to write on...and their exclusive self-cancelling

feature outwits check counterfeiters and forgers. Furthermore, the Todd insurance feature completely safeguards banks and depositors against check frauds which Super-Safety checks are designed to prevent.

Send for cancelled specimens. Test them rigidly at your own desk. Compare them point by point with any others you would consider. Then, you will see why it is that so many bankers find Super-Safety checks a sound investment in customer good will.



ROCHESTER NEW YORK
OFFICES IN ALL PRINCIPAL CITIES

Simplified Forms

Save Time and Money

THE functions of the proof and transit department are: (1) To prove all debits and credits; (2) To distribute all debits and credits to proper channels for final disposition; (3) To set up a control in order that each teller, bookkeeper and other department may settle independently each day.

Wherever possible, it is always preferable to sort and list all items *only one time*.

Source of Work

WORK is received from the following sources: (1) commercial deposits from individual customers, (2) cash letters from correspondents, (3) clearinghouse items from other local banks, and (4) from various tellers and other departments.

Proof Sheet

ALL debits and credits are proved on a proof sheet (Illustration 1)—the debits (checks) being listed on the front and the credits (deposits) on the back. While any number of debits and credits may be proved on one proof sheet, 150 or 200 debits is the average.

The front of the proof sheet contains columns for each distribution of debits: (1) individual ledgers (a column for each ledger), (2) general ledger, (3) correspondent banks (a separate column may be set up for each correspondent), (4) tellers' cash tickets (see Illustration 1b, April, page 51), (5) cash items (that is, items deposited for payment which can be collected only by presentation—money orders, warrants, etc.), (6) clearinghouse checks, (7) savings department.

(NOTE: "Tellers' cash tickets" are tickets which are substituted by the tellers for the currency and/or coin in the deposits and bear the number of the teller who received the money.)

A recap block is at the bottom of the sheet in order to obtain the total of the columnar totals. (1) individual ledgers (a separate column for each ledger), (2) for each teller, (3) savings department, (4) general ledger.

A recap block is at the bottom of the sheet on each side in order to obtain the total of the columnar totals.

The recap total of the credit side should be brought forward to the recap block on the debit side for ease of comparison. The recap total of credits should, of course, agree with the recap total of debits.

(NOTE: The use of a "T-total" adding machine will facilitate the recapping of the columnar totals.)

Errors

MOST errors in proving develop from the following causes: (1) adding machine errors made by listing clerk, (2) deposits incorrectly totaled by depositor, (3) checks listed on deposit

DISCUSSION INVITED

THE publication of this material each month is for the purpose of stimulating nationwide discussion on the vital question of simplified forms. The work is experimental and exploratory.

Checking account and general ledger forms were discussed in the January and February issues, respectively, and Wage and Hour and Social Security forms were the subject of the March article. A discussion of paying and receiving forms appeared last month. Similar material will appear in subsequent issues.

but not enclosed, (4) checks enclosed with deposit but not listed, (5) checks listed incorrectly on the deposit slips.

These errors may be located by (1) verifying the proof-listing, (2) re-adding the deposit slips and (3) cross-checking the items from the deposit slips to the proof sheet.

To correct these errors:

1. If the error is due to incorrect listing by clerk it is necessary to (a) change amount of item on proof sheet, (b) change amount of columnar total affected, (c) change amount of recap figure at bottom of proof sheet.

2. If the error is made in preparation of deposit slip (a) change total of deposit slip and follow change through completely on proof sheet, (b) notify customer of change by telephone or advice (see Illustration 14, January, page 54).

Missorts and Return Items

ITEMS sorted and listed to wrong teller or department, or items to be returned, should be sent back by recipient to proof and transit department for correction of figures, and re-distribution of items.

Disposition of Work

A BOX is provided with pigeon-holes to correspond to the various columns on the proof sheet. After each proof sheet balances (and not before), the debits and credits are placed in the proper pigeon-holes. The bookkeepers and other departments remove their work from the box at frequent intervals. Thus, a steady flow of work is facilitated, and the necessity of holding work over is eliminated.

Minimizing Listings

AFTER clearinghouse items and items to be sent out in cash letters are placed in the pigeon-holes, it is necessary to re-list such items on the outgoing forms (Illustrations 2 and 3). Where the volume justifies, this extra listing may be avoided by listing directly on the outgoing letter at the time of proof, and then sub-totaling the figures under the

FORMS . . .

proof sheet heading, "Clearinghouse", or "Correspondent Banks", as the case may be. In other words, part of the proof detail is shown directly on the outgoing letter and only the total of these items is shown on the proof sheet.

Preparing Outgoing Items

OUTGOING items are prepared as follows:

1. CLEARINGHOUSE

(a) Listed on transmittal sheets (Illustration 2) which are made in duplicate by means of carbon paper. *This additional listing can be avoided to a large extent if the suggestion made herein under heading "Minimizing Listings" is followed.* Total of transmittal sheets should settle to control figure on debit side of final recap.

(b) Items are *not* described, inasmuch as each bank will receive and settle for items drawn on it.

2. CASH LETTERS TO CORRESPONDENT BANKS

(a) Listed on transmittal sheets (Illustration 3) which are made in duplicate by means of carbon paper. (See "Minimizing Listings"). Time, postage, and effort may be saved by concentrating sendings to as few banks as practicable, and drawing transfer drafts on those banks to distribute balances among other correspondents.

Total of outgoing cash letters should settle to control figure on debit side of final recap.

(b) Where items that are cashed are described by the teller, and items deposited are adequately described on the deposit ticket, it is not necessary to describe further or indicate name of last endorser on the outgoing cash letter. The most economical and efficient method of

description is to list the amount of the checks and to indicate opposite each item the A.B.A. transit number of the drawee bank. In this connection, consideration may be given (1) to the use of a descriptive adding machine which prints the A.B.A. transit number at the same time the item is listed; (2) to the use of photography to eliminate the necessity of describing the items.

Endorsing Items

ENDORISING items may be facilitated by the use of a mechanical endorsing machine which endorses items at the time of proof-listing without extra operation.

Proof and Transit Settlement

THE proof and transit department should summarize operations each day, as follows:

1. The settlement for the proof and transit department is made by summarizing the various proof sheets prepared during the day. The various columnar totals are summarized on a "final" proof sheet (Illustration 1); here again, the recap total of credits should agree with the recap total of the debits. Each teller and department should settle to the debit and credit control totals shown in their respective columns.

2. A departmental settlement sheet (see Illustration 3, in April, page 52) is prepared daily and the column totals on the final proof sheet are transferred to this departmental settlement sheet. Totals on final recap are consolidated where necessary. For example, totals of correspondents' columns (representing checks sent out in cash letters) may be combined with the general ledger column (representing cashier's checks, certified checks, etc.) *This sheet may be designed to serve as a general ledger journal sheet.*

Exchange of Checks with Other Local Banks

OUTGOING LISTS. 1. At the close of business each day, the proof and transit department will put through a debit ticket to a general ledger account designated "clearinghouse exchanges" for the amount of the items held over, and the items will be held in abeyance pending exchange next day.

2. If it is the policy of the bank to clear items on other local banks through a teller, the total of the held-over items should be charged to the teller, and the items should be delivered to him to be held in his cash.

EFFECTING EXCHANGES. 1. If it is the policy of the bank to set up held-over clearinghouse on the general ledger as "clearinghouse exchanges", the proof and transit department will deal with the items as follows on the day of exchange.

(a) Credit the incoming list to "clearinghouse exchanges."
(b) Make entry for differential in outgoing and incoming list. (If the result of the exchange is in favor of the delivering bank, the payment should be credited to "clearinghouse exchanges". If cash is received it should be given to a teller together with a credit ticket to "clearinghouse exchanges".)

(If the result of the exchange is against the delivering bank, a debit ticket to "clearinghouse exchanges" for the amount should be given to the teller in order to obtain cash or check with which to make the disbursement.)

These two entries (plus the previous day's debit for held-over items) should close out completely the "clearinghouse exchanges" account at this point.

(NOTE: If it is the policy of the bank to include current day's work in the exchanges it will be necessary for proof and transit to put through a debit ticket for the amount of the current items

Service Charge "Contract"

THE following suggestion comes from Lyall Barnhart, comptroller of the First National Bank and Trust Company, Oklahoma City, who is a member of the Subcommittee on Simplified Bank Operating Forms of the Bank Management Commission, American Bankers Association. Mr. Barnhart writes:

"It seems to me that the uniform signature card should carry a clause something to the effect that the bank has the right to make service charges against accounts, whether active or inactive. In other words, to incorporate this clause into the signature card at the time the account is opened provides the bank with that "contract" which it must have to make service charges against inactive accounts.

"I notice that the signature card recommended carries a clause to the effect that 'It is agreed that this account is subject to the existing rules and regulations of the Clearinghouse Association of . . . , and such amendments thereto that may be made from time to time.' This may cover the right to make service charges against inactive accounts and active accounts in those cities and towns that have clearinghouse associations and operate the association on a strictly business basis, so that their resolutions, etc., are made a matter of record, but in many of the smaller towns throughout the country, clearinghouse associations either do not exist or they are more or less conducted on a rather informal get-together basis between the banks, and their rules and regulations are handled in a rather slipshod manner insofar as recording them in the minutes, etc., is concerned.

"In Oklahoma not so long ago we had a case where a customer sued a bank for service charges the bank had made over a long period of time. Fortunately, the case was settled out of court, but if the bank had had incorporated in its signature card the right to make service charges the suit would never have been brought."

FORMS . . .

to "clearinghouse exchanges", in addition to the entry at the end of the day for the held-over items. (A careful distinction should be maintained between the items cleared on the day of receipt and the items to be cleared the following day, and two separate totals should be shown on the "final" proof sheet for the day.)

2. If it is the policy of the bank to clear items on other local banks through a teller, the amount of the held-over items will already be in the teller's cash on the day of exchange as a result of proof and transit having charged him the previous day. The teller should (a) deliver the held-over list to the other bank; (b) receive the incoming list from the other bank. (This list is considered as payment or part payment of the list delivered. This list should be delivered and charged to proof and transit.) (c) He should make payment or receive payment for amount of differential in the lists. (This receipt or disbursement is offset by the difference between the amounts debited to proof and transit (incoming list) and the amount credited to proof and transit (outgoing list).)

INCOMING LISTS. The procedure and entries necessary relative to incoming lists have been outlined under "Outgoing Lists" and "Effecting Exchanges".

Incoming Remittance Letters

INCOMING letters, which are to be remitted for, should be proved on the proof sheet (Illustration 1) the same as letters which are credited to the account of the sending bank. The credit, however, should be made to the teller who handles remittances. To issue remittance check the teller should charge proof and transit with the actual amount of the remittance.

Disposition of Records

1. Cash letter carbons are filed in chronological order in a ring-post binder. Destroyed after two years.
2. Outgoing clearinghouse carbons are filed in chronological

California Activity

IN the March 29 *Bulletin* of the California Bankers Association is an item on that organization's form service, which announces, among other things that "In addition to offering certain forms in quantity lots, printed and ready for use, the forms subcommittee plans to broaden its work so as to include a review of forms recommended by the American Bankers Association (such as those recently reproduced in *BANKING*), with special reference to their adaptation for use in California . . ." A. E. Duane, assistant vice-president, American Trust Company, San Jose, is chairman of the California Bankers Association's subcommittee on standardization of bank forms.

order in a ring-post binder. Destroyed after two years.

3. Proof sheets are filed in chronological order in a ring-post binder. Destroyed after five years.
4. Tellers cash tickets may be destroyed immediately after settlement has been effected.
5. Departmental settlement sheet is delivered daily to general ledger bookkeeper who files in chronological order. Destroyed after five years.
6. Incoming cash letters should be filed in chronological order after being posted by bookkeeper. Destroyed after two years.

Personnel

IN the smaller banks it has been found that practically all phases of proof and transit work can usually be handled comfortably by one person. Naturally, the personnel of this department will increase or decrease according to the volume of work handled.

DEBITS			
ASSORTED BY	TOTAL	LISTED BY	DATE JAN 8 1939
11.00	5788.00	30.00	
14.67	3.50	3.51	
99.00	101.00	75.00	
180.00	3.98	87.35	
3.67	87.00	63.25	
		120.00	
		250.00	
		681.19	
359.34	5971.07		

CREDITS			
INDIVIDUAL LEDGER	TELLER'S CASH CHECKS	NO. 1 TELLER	NO. 2 TELLER
331.33	25.00	8.00	17.08
420.00	7.50	886.91	848.00
288.91	185.79	3.00	25.50
1170.84	4.50	277.91	100.00
		167.79	410.88

THE BLANK BANK			
DATE	TO	AMOUNT	BY
January 9, 1939	NO. 7		
THE BLANK BANK			
Mary Roe			
Five and no/100			
5.00			
DOLLARS			
John Roe			
January 9, 1939			
THE BLANK BANK			
Blankville, Georgia Company			
Two Hundred Fifty and no/100			
250.00			
DOLLARS			
John Roe			

RECAP			
DEBIT	CREDIT	DEBIT	CREDIT
309.34	250.00	250.00	250.00
891.37	88.87	88.87	88.87
681.19	50.00	50.00	50.00
170.78	25.00	25.00	25.00
317.99	290.84	290.84	290.84
68.87	5.00	5.00	5.00
25.00	7868.78	7868.78	7868.78

ILLUSTRATION 1. Left, front of the proof and transit proof sheet. Below, reverse side. Actual size, 10 1/2" x 13 1/4"

CREDITS			
INDIVIDUAL LEDGER	TELLER'S CASH CHECKS	NO. 1 TELLER	NO. 2 TELLER
331.33	25.00	8.00	17.08
420.00	7.50	886.91	848.00
288.91	185.79	3.00	25.50
1170.84	4.50	277.91	100.00
		167.79	410.88

THE BLANK BANK			
DATE	TO	AMOUNT	BY
January 9, 1939	NO. 7		
THE BLANK BANK			
Mary Roe			
Five and no/100			
5.00			
DOLLARS			
John Roe			
January 9, 1939			
THE BLANK BANK			
Blankville, Georgia Company			
Two Hundred Fifty and no/100			
250.00			
DOLLARS			
John Roe			

RECAP			
DEBIT	CREDIT	DEBIT	CREDIT
309.34	250.00	250.00	250.00
891.37	88.87	88.87	88.87
681.19	50.00	50.00	50.00
170.78	25.00	25.00	25.00
317.99	290.84	290.84	290.84
68.87	5.00	5.00	5.00
25.00	7868.78	7868.78	7868.78

*Changes to
The Specimen Bank
Blank
The Blank Bank*

Jan. 9, 1939.

.00*
5789.00
3.50
107.89
3.98
67.50
5971.87*

Double sheet
with carbon
paper inserted

ILLUSTRATION 2. Actual size is 10½" x 13¼"

THE BLANK BANK
BLANKVILLE, VA. Jan. 9 1939

*The Specimen Bank
New York City*

WE ENCLOSE ITEMS AS LISTED BELOW FOR CREDIT.

WIRE NON-PAYMENT OF ITEMS OF \$200.00 AND OVER.
DO NOT PROTEST ANY ITEMS OF \$10.00 OR LESS OR THOSE
STAMPED IN P. 66-9 OR SIMILAR AUTHORITY OF A PRECEDING ENDORSER.

ENDORSER	DRAWEE	AMOUNT
Mary Roe	68-900	12.00
A. A. Adam	7-350	14.67
Blankville Shoppe	9-475	99.00
E. E. Brown	66-999	180.00
Jane Doe	69-990	3.67
		309.34*
	(ACTUAL SIZE) 5½" x 11"	

*This form used where banks
decide outgoing items by
endorse, date, and amount.*

Above, right, and below, left and right, ILLUSTRATION 3. Actual sizes 5½" x 11"

THE BLANK BANK
BLANKVILLE, VA. Jan. 9 1939

*The Specimen Bank
New York City*

WE ENCLOSE ITEMS AS LISTED BELOW FOR CREDIT.

WIRE NON-PAYMENT OF ITEMS OF \$200.00 AND OVER.
DO NOT PROTEST ANY ITEMS OF \$10.00 OR LESS OR THOSE
STAMPED IN P. 66-9 OR SIMILAR AUTHORITY OF A PRECEDING ENDORSER.

DRAWEE	AMOUNT	DRAWEE	AMOUNT
	.00*		
68-900	12.00		
7-350	14.67		
9-475	99.00		
66-999	180.00		
69-990	3.67		
	309.34*		
	(ACTUAL SIZE) 5½" x 11"		

*This form used where banks
decide outgoing items by
date and amount.*

THE BLANK BANK
BLANKVILLE, VA. Jan. 9 1939

*The Specimen Bank
New York City*

WE ENCLOSE ITEMS AS LISTED BELOW FOR CREDIT.

WIRE NON-PAYMENT OF ITEMS OF \$200.00 AND OVER.
DO NOT PROTEST ANY ITEMS OF \$10.00 OR LESS OR THOSE
STAMPED IN P. 66-9 OR SIMILAR AUTHORITY OF A PRECEDING ENDORSER.

AMOUNT	AMOUNT	AMOUNT
.00*		
12.00		
14.67		
99.00		
180.00		
3.67		
309.34*		
	(ACTUAL SIZE) 5½" x 11"	

*This form used where banks
decide outgoing items by amount
only, in connection with the use
of the Records.*

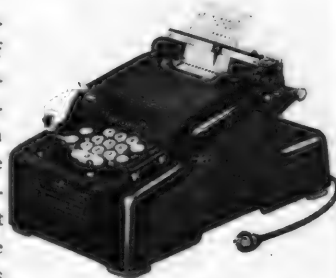


1 "She called me at five... said she was only half finished with a lot of figure-work her boss needs in a hurry... last month's percentage of sales increases for all their branches.



2 I can just see Marge now, working out those percentage problems with a calculating machine, doing each one twice and then copying the answer from dials. It used to be the same thing with me...but not any more.

5 The Remington Rand Printing Calculator is in thousands of offices today because it has outmoded all other calculating machines. And...if you've not been able to afford an adding machine and a calculator, here's the invention that gives you the best features of both...at little more than adding machine cost. It's the only machine in the world that adds, subtracts, multiplies, divides *automatically*... and gives you a permanent, printed, machine-accurate record the *first* time you run the figures. See it at work, on *your* work. For free demonstration, phone your nearest Remington Rand office today.



Remington Rand Inc.

BUFFALO, NEW YORK

IN CANADA: 199 BAY STREET, TORONTO

World's Largest Makers of Adding & Bookkeeping Machines, Systems and Equipment



3 I haven't had to work late one single night since we got our new Printing Calculator. It just eats up percentage problems... it divides automatically, you know! And it prints everything on the tape... gives me something permanent to copy from, or to file for reference."



4 Flashback to Marge's office... Marge's boss speaking... "Sorry to keep you so late, but it will never happen again. I learned something today on a visit to Jim Robinson's office. He's replaced every last calculating machine with new Printing Calculators, and I'm doing the same thing tomorrow."



A.B.A. Family Hears Reports on Hanes Program

Banks Shorten Public Hours

Meet Problem of Employees' Time

The trend to shorter public banking hours offers an approach to solving the problem of employee hours raised by the Federal Fair Labor Standards Act, says a special committee of the A.B.A. Bank Management Commission which surveyed public banking time schedules.

Although "it is not entirely clear that banks are subject to the law," the committee suggests that the wiser course is to comply with its provisions. Pointing out that bankers were aware of the act's inequities as applied to banking, the committee said:

"They are equally well aware of the fact that bank earnings are too slender to permit of the luxury of uncontrollable overtime payments, and they are reluctant to convert their salaried staffs into hourly wage-earners. They are also reluctant to shorten their public hours of service, but it does not seem unreasonable to consider this as one approach to a solution of the perplexing hours-of-work week problem. In fact, to many there does not seem to be any other alternative."

Information from 404 clearinghouses showed that nearly all banks which had shortened public hours were adopting schedules of five to six hours per day for public service on Mondays to Fridays, with two or three hours on Saturday mornings, resulting in 27 to 33 hours of service. The smaller number was favored.

The question of public hours essentially is one for local and sectional determination, the committee finds.

The group making the survey was headed by Robert H. Myers, vice-president, Merchants National Bank, Muncie, Ind.

A.I.B. Plans Big Boston Meeting

40th Anniversary to Draw Over 2,000

More than 2,000 members of the American Institute of Banking, educational section of the American Bankers Association, are expected to participate in a celebration of the Institute's 40th anniversary during its annual convention to be held in Boston June 3-7, it is announced by Harry R. Smith, president of the Institute and assistant vice-president of the Bank of America, N. T. & S. A., San Francisco.

Past and present officers of the A.I.B. will join the membership in the celebration and special invitations have been extended to all past national presidents. Dr. Fred I. Kent, director of the Bankers Trust Company, New York City, Frank M. Totton, second vice-president of the Chase National Bank of New York, and Robert M. Hanes, President of the American Bankers Association, will speak at the convention.

A series of conferences, open to the membership, on banking practices, audits and accounting, credits and savings banking, the trust business, business development and advertising, and investments, will highlight the convention.

The dots represent some of the places where A.B.A. officers and staff men are to speak in May



Association's Broader Services Are Discussed at Annual Spring Meeting

The enlarged personalized service program of the American Bankers Association was the theme of the Spring Meeting of the Executive Council, held April 21-24 at The Homestead, Hot Springs, Va.

President Robert M. Hanes presided over the deliberations of the Council, which heard reports from the various divisions, commissions, committees, and other sections of the Association.

Consumer Credit Merger Planned

A.B.A., B.A.C.C. Would Unite Work

Steps have been taken to consolidate the activities of the Bankers Association for Consumer Credit with those of the American Bankers Association.

Kenton R. Cravens, president of the B.A.C.C., announced the plan at that organization's recent conference at White Sulphur Springs, W. Va.

It is expected that this action to concentrate association service on consumer credit financing by commercial banks in one organization will eliminate duplication of facilities and will provide for the broader application of the experience already obtained.

The Bankers Association for Consumer Credit was organized a year ago to serve the special needs of personal loan and time sales departments of

(Continued on page 56)

The broader activities in which the Association is already engaged as the new program swings into full operation were described to the several hundred members of the A.B.A. official family attending the meeting.

In line with the greater personalization of A.B.A. work, officers and staff will speak at or attend numerous banker meetings during May, including the state association meetings represented by dots on the map below.

President Hanes plans to address the Idaho Bankers Association convention at Hayden Lake, May 10; the South Dakota Bankers Association at Watertown, May 15; the New Mexico Bankers Association at Albuquerque, 17; and the California Bankers Association at Del Monte, 22-24.

First Vice-president P. D. Houston addresses the Arkansas Bankers Association meeting at Hot Springs, May 16-17, and the Virginia Bankers Association at Roanoke, May 23-25. Engagements by staff members include:

Dr. Paul F. Cadman, A.B.A. economist: North Carolina Bankers Association, Pinehurst, 9-11; Alabama Bankers Association, Birmingham, 16-17.

William A. Irwin, Associate Educational Director of the American Institute of Banking Section: Kansas Bankers Association, Wichita, 8-10; Maryland Bankers Association, Atlantic City, N. J., 16-17.

Walter B. French, Deputy Manager, Consumer Credit Department: Missouri Bankers Association, Kansas City, 6-8; short course for bankers at the

(Continued on page 56)

"We've got to find new Loans"

**BANKS IDLE CASH
HOLDINGS MAKE
ANOTHER UPTURN**

**ANOTHER INCREASE
IN IDLE FUNDS
OF BANKS**

**EARNING RATE
TUMBLES ON
BANK DEPOSITS**



**"Let's call in the
DOUGLAS-
GUARDIAN
MAN"**



**Every Company with
good INVENTORY is
a Prospect for a good LOAN . . . based on
Field Warehousing *by* Douglas-Guardian**



— a nation-wide service backed by over 17 years of specialized experience.

In your quest for profitable and sound ways to place loan funds, get in touch with your nearest Douglas-Guardian office. A competent representative will gladly call without obligation. He'll answer your questions about inventory financing . . . how Douglas-Guardian brings the warehouse to the inventory and issues Warehouse Receipts. He'll suggest practical methods of locating inventory loan opportunities. Factory inventories on the average are high. Opportunities in inventory financing are great.

Mail the coupon to tell us you're interested. Can also be used to request our FREE Booklet, "Financing the Modern Way."

DOUGLAS-GUARDIAN WAREHOUSE CORP.

Nation-Wide Field Warehousing Service

REGIONAL SERVICE OFFICES AT:

New Orleans, La. 118 N. Front St.	Rochester, N. Y. Commerce Bldg.	Cleveland, Ohio Union Commerce Bldg.	San Francisco, Cal. 485 California St.
Dallas, Texas Tower Petroleum Bldg.	Springfield, Mo. Holland Bldg.	New York, N. Y. 50 Broad St.	Portland, Ore. 209 U. S. National Bank Bldg.
Memphis, Tenn. 106 Porter Bldg.	Chicago, Ill. 100 W. Monroe St.	Easton, Md. 428 South St.	
Cincinnati, Ohio Union Trust Bldg.	Atlanta, Ga. 1715 Rogers Ave., S.W.	Los Angeles, Cal. Garfield Bldg.	Tampa, Fla. 416 Tampa St.

☐ We accept your offer to supply helpful information on placing loans based on Field Warehousing.
☐ Send your booklet "Financing the Modern Way."

Bank's Name _____
City _____ State _____
for attention of _____

**To DOUGLAS-GUARDIAN
WAREHOUSE CORP.
100 W. Monroe St.
Chicago
Ill.**

May 1940

A.B.A. Trust Fees Guide Is Revised

Publication of a revised edition of the "Guide to Trust Fees with Recommended Cost Accounting System," compiled by the Trust Division of the American Bankers Association, has been announced by Roland E. Clark, Division President and vice-president, National Bank of Commerce, Portland, Me.

The revised edition incorporates a new schedule of recommended fees for trustees acting under corporate trust indentures under the Trust Indenture Act of 1939, and a cost system for determining the cost of handling a personal trust account.

Suggested fees for corporate trusteeships are higher than those set forth in previous editions, because both the administrative work and liabilities of trustees have increased greatly in recent years.

Council Offering 57 Public Talks

The revised repertory of public education talks, available through the A.B.A. Public Relations Council, is now ready for distribution. Eight of the 57 addresses are new.

Several secretaries of state associations now stock the talks for prompt local distribution and the Council urges others to do likewise in the interests of ready service.

Early comments on the new material are enthusiastic and the Council wants to see it put to the fullest use.

Bankers interested may write to the Council or to their state secretary for full information and supplies of these A.B.A. speeches which can be adapted to a particular community by including facts and figures of local interest.

Consumer Credit

(Continued from page 54)

banks. Within the past two months the American Bankers Association has established a consumer credit department under the broadened program of the Association announced by Robert M. Hanes, A.B.A. President.

The concentrated activities would be conducted under the leadership of Walter B. French, Deputy Manager of the Ameri-

can Bankers Association in charge of its Consumer Credit Department, and under the direction of a council consisting of representatives of banks engaged in this credit service.

The plan has been recommended to the Executive Council of the A.B.A. and to the membership of the B.A.C.C.

Proceedings of the school savings forum, held in New York on March 8, are available to Association members.

24 A.B.A. Staff Men Available As Speakers

The Association has issued a new booklet listing the names of 24 staff executives now available for speaking engagements, and the topics on which they are qualified to talk. In the past two years staff men have made more than 650 addresses to banking groups.

Spring Meeting

(Continued from page 54)

University of Florida, Gainesville, 28-30.

J. R. Dunkerley, Assistant Secretary, Savings Division: Oklahoma Bankers Association, Tulsa, 2-4; Missouri Bankers Association, Kansas City; Loraine County Chapter A.I.B., Elyria, O., 9.

Prentiss Jackson, Jr., BANKING: New Hampshire Bankers Association, Manchester, 17.

CONVENTIONS

American Bankers Association

- June 3-7 American Institute of Banking, Statler Hotel, Boston, Massachusetts
- June 17-29 The Graduate School of Banking, Rutgers University, New Brunswick, New Jersey
- Aug. 15-17 18th Regional Trust Conference of the Pacific Coast and Rocky Mountain States, Salt Lake City, Utah
- Sept. 22-26 Annual Convention, Atlantic City, New Jersey
- Nov. 7-8 11th Mid-Continent Trust Conference, Chicago

State Associations

- May 2-3 Oklahoma, Tulsa
- May 6-8 Missouri, Hotel Muehlebach, Kansas City
- May 7-8 Tennessee, Hotel Peabody, Memphis
- May 8-10 Kansas, Wichita
- May 9-10 North Carolina, Carolina Hotel, Pinehurst
- May 13-15 Mississippi, Buena Vista Hotel, Biloxi
- May 15-16 Indiana, Claypool Hotel, Indianapolis
- May 15-16 South Dakota, Watertown
- May 16-17 Alabama, Hotel Tutwiler, Birmingham
- May 16-17 Arkansas, The Arlington, Hot Springs
- May 16-17 Maryland, Hotel Traymore, Atlantic City
- May 17 New Hampshire, Hotel Carpenter, Manchester
- May 17-18 New Mexico, Hilton Hotel, Albuquerque
- May 21-23 Texas, Buccaneer Hotel, Galveston
- May 22-23 Ohio, Deshler Wallick Hotel, Columbus
- May 22-24 California, Hotel Del Monte, Del Monte
- May 22-24 Pennsylvania, Hotel Traymore, Atlantic City
- May 23-25 Massachusetts, New Ocean House, Swampscott
- May 23-25 New Jersey, The Ambassador, Atlantic City
- May 23-25 Virginia, Hotel Roanoke, Roanoke
- May 28-29 Illinois, Palmer House, Chicago
- June 2-4 South Carolina, Ocean Forest Hotel, Myrtle Beach
- June 5-7 Minnesota, Minneapolis
- June 5-9 District of Columbia, The Homestead, Hot Springs, Virginia
- June 6-8 West Virginia, Greenbrier Hotel, White Sulphur Springs
- June 7-8 Utah, Logan
- June 7-8 Wyoming, Carter Hotel, Thermopolis
- June 10-11 Idaho, Bozanta Tavern, Hayden Lake
- June 10-11 New York, Syracuse
- June 11-12 Wisconsin
- June 12 Connecticut, Greenwich Country Club, Greenwich

- June 13-14 Washington, Winthrop Hotel, Tacoma
- June 14-15 North Dakota, Minot
- June 14-15 Vermont, Woodstock Inn, Woodstock
- June 17-18 Montana, Many Glaciers Hotel, Glacier National Park
- June 17-18 Oregon, Gearhart Hotel, Gearhart
- June 17-19 Michigan, Pantlind Hotel, Grand Rapids
- June 19-21 Colorado, Stanley Hotel, Estes Park
- June 21-23 Maine, Poland Spring House, Poland
- Aug. 26 Nevada, Winnemucca
- Sept. 9-11 Iowa, Hotel Fort Des Moines, Des Moines
- Oct. 24-25 Nebraska, Lincoln

Other Organizations

- May 8-10 National Association of Mutual Savings Banks, Statler Hotel, Boston, Massachusetts
- May 17-18 Mid-Continent Regional Conference, National Association of Bank Auditors and Comptrollers, Minneapolis, Minnesota
- May 19-23 First International and 45th Annual NACM Credit Congress, Royal York Hotel, Toronto, Canada
- May 23-25 National Safe Deposit Convention, Boston
- May 27-29 American Industrial Bankers Association, Wardman Park Hotel, Washington, D. C.
- May 27-29 Credit Management Division, National Retail Dry Goods Association, Hotel Cleveland, Cleveland
- June 5 New Jersey Savings Banks Association, Verona
- June 7-8 New Hampshire Bank Management Conference, Hanover
- June 10-14 Virginia Bankers Conference, University of Virginia, Charlottesville
- June 12-14 Kansas Bankers Seminar, University of Kansas, Topeka
- June 22 Robert Morris Associates, Sky Top, Pennsylvania
- June 23-27 Advertising Federation of America, Chicago
- Sept. 18-20 National Association of Supervisors of State Banks, Richmond, Virginia
- Sept. 18-20 National Industrial Advertisers Association, Inc., Hotel Statler, Detroit, Michigan
- Oct. 2-4 Mortgage Bankers Association of America, Chicago, Illinois
- Oct. 16-19 Annual Convention, National Association of Bank Auditors and Comptrollers, Saint Louis, Missouri
- Oct. 28-30 Financial Advertisers Association, The Homestead, Hot Springs, Virginia

Let these **UNSEEN EYES**
scrutinize every **Doubtful Check**

● YOUR BOOKKEEPER'S JUDGMENT BACKS THE
JUDGMENT OF YOUR TELLER . . .

when you use **LAMSON TUBES**



Virtually every business can tighten its management control . . . speed up its paper flow . . . and improve its working efficiency through use of Lamson Tubes. Photograph shows the large size 3" x 12" pneumatic tube carriers in a well-known insurance office building. Ask for facts on specific business uses.

QUICK as a flash . . . without sign or hint from your teller . . . Lamson Tubes rush a doubtful check to the bookkeeper. He re-examines the date, amount, signature—approves or disapproves it—and sends it back before the teller has finished counting the money a second time.

That's how Lamson Tubes protect the reputation and public good will of your bank. They let two men pass on the delicate point of questioned checks. But more than that, they rush checks for certification, speed the furnishing of customers' balances, notify bookkeepers of special deposits, rush money and collateral from the vaults, and do numerous other jobs that save time, risk and messenger service.

Lamson Tubes are economical to own. You buy them outright—one tube or a number as you need. You can add to them as your needs grow. Mail the coupon now for the free book, "Wings of Business." It is filled with facts that will be helpful to you.

LAMSON Pneumatic Dispatch **TUBES**

"Put Your Bookkeeper at Your Teller's Elbow"



THE LAMSON COMPANY, INC.
Syracuse, New York

Without cost or obligation, please send me a free copy of your Pneumatic Tube Book, "Wings of Business."

Name Title

Company

Address

City State

METHODS and IDEAS

This department of BANKING is conducted by our Methods and Ideas reporter, John J. McCann

Credit Bureau

THE NASSAU COUNTY (New York) Clearing House Association credits its four-year-old credit bureau with saving 48 member banks thousands of dollars in bad loans. The bureau received 27,126 inquiries in 1939—an increase of 45 per cent over the previous year—indicating the extensive use which members make of this service. Close to 50,000 loan cards in the master file, plus supplementary records, such as a five-year judgment file, provide a complete catalog of credit use in the county. Among the helpful services rendered is a daily report on new judgments and duplicate applications for loans. Individual reports are handled by phone or mail and all records are held strictly confidential. While primarily organized as a mortgage credit bureau, the increase in small loan activity has trebled its work as well as its value. Fully 90 per cent of the association's budgetary allotment for 1940 is gladly given to the operation of the bureau.

Newsy Touch

THE SEARCH for different techniques in bank advertising leads up many channels and, oddly enough, some of the best are found right under one's nose. A case in point is the current series sponsored by The First National



A LOAN-SELLING DISPLAY

One of the exhibitors at a "Cavalcade of Progress" in Morristown, New Jersey, was the Morris County Bankers Association. The 16 member banks had a booth (above) and distributed folders calling attention to the services they render to the county's 120,000 people

Bank, Coffeyville, Kansas. Under the headline, "Personal Interviews", members of the local *Journal* staff carry on conversational squibs on banking service with various officers. The copy is boxed and each item leads with a question. There is a personal, even intimate, tone in this series which rarely crops up in more conventional advertising. The local newspaper staff byline also adds a bit of newsy flavor.

Healthy Relations

THE ADDITION of hospitalization and surgical benefits to group life insurance programs has become more and more

widespread. To say it is a healthy innovation for general employee relations is not to take advantage of a pun. Such protection is a necessity which proves its value many times over during the average employment of every individual, and indirectly the benefit is shared by the management.

Among the banks recently reporting these additional benefits is The Industrial Morris Plan Bank of Detroit. The entire plan is underwritten by the Metropolitan Life Insurance Co. of New York, on a cooperative basis whereby the employees contribute fixed amounts and the bank stands the balance of the entire net cost. Under the present arrangement, employees when confined to a hospital, will be paid \$5 a day for a period not to exceed a maximum of 31 days, and surgical benefits range up to \$150. Life insurance protection ranges from \$2,000 to \$5,000 depending upon the employee's length of service. The group plan also includes visiting nurse care and the distribution of health educational material.

COOPERATIVE WINDOW EXHIBIT

The Bankers Trust Company of Detroit advertises its fiduciary services in a window of the Wabek State Bank of Detroit. The two institutions are in no way affiliated with each other



G. W. T. W.

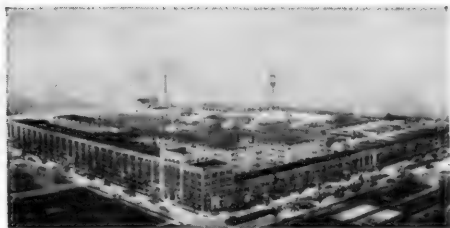
IF HOLLYWOOD spared a precious "Oscar" for the best local tie-up with its picture of the year—*Gone With The Wind*—it would go to the First National Bank of Atlanta, Georgia. Attesting the historical accuracy of the film's props as well as the institution's own colorful past, the bank ran an advertisement titled, "Scarlett O'Hara—An Early

(CONTINUED ON PAGE 61)



New Burroughs Factory Branch, Plymouth, Michigan

Growth + + +



Burroughs Factory and General Offices, Detroit

Throughout the years, Burroughs has adhered to the highest standards of manufacture and quality, and has developed a worldwide factory-trained and factory-controlled service organization.

Over a half-century ago Burroughs started in a small machine shop to manufacture the first practical adding machine. Business has since depended more and more on Burroughs for a steady flow of machines and developments to meet constantly changing conditions. Today's range of Burroughs products includes practically every type of figuring, accounting and forms-writing machine.

With this background of experience and wide variety of machines, Burroughs meets the needs of today's business for speed and economy, and is building for the future along lines which have made Burroughs a worldwide institution.

BURROUGHS ADDING MACHINE COMPANY, DETROIT, MICH.

Burroughs

DOES THE WORK IN LESS TIME—WITH LESS EFFORT—AT LESS COST

Attractive Investments

are  marked by

SECURITY of CAPITAL and EARNING POWER



INDUSTRIAL INVESTMENTS

should be considered as having two separate phases, present and prospective. The banker or the experienced investor is well able to judge the merit of the present status. He is even able to forecast with surprising accuracy the probable future status—barring unpredictable accidents which may have unfavorable or possibly disastrous effect.

A way, now generally recognized as the only sure way, to provide an unfailing safeguard against the uncertainties of the future is through adequate insurance in a sound Capital Stock company.

The one remaining problem is an understanding of all the hazards to which investments are exposed. Fire; Property Damage by explosion, wind, riot, and other causes; Public Liability in many forms; Forgery; Embezzlement; Shut-downs, causing suspension of production and earnings; all require consideration. Disaster can spring from any of them.

The answer to the problem lies in consultation with an expert insurance agent, representing the companies of the **COMMERCIAL UNION GROUP**—"writers of practically all kinds of insurance and bonds, except Life insurance."

COMMERCIAL UNION GROUP

COMMERCIAL UNION ASSURANCE COMPANY, LTD.

AMERICAN CENTRAL INSURANCE COMPANY

COLUMBIA CASUALTY COMPANY

THE PALATINE INSURANCE COMPANY, LTD.

NEW YORK

THE CALIFORNIA INSURANCE COMPANY

CHICAGO

THE COMMERCIAL UNION FIRE INSURANCE COMPANY

ATLANTA

SAN FRANCISCO

THE OCEAN ACCIDENT & GUARANTEE CORPORATION, LTD.

THE BRITISH GENERAL INSURANCE COMPANY, LTD.

UNION ASSURANCE SOCIETY, LIMITED.

(CAPITAL STOCK COMPANIES)

HOME OFFICES, ONE PARK AVENUE, NEW YORK, N. Y.

METHODS—Continued

Customer", at the time of the Atlanta premiere. The ad reproduced the check dated February 20, 1866, which Scarlett O'Hara Kennedy drew on the then Atlanta National Bank for the tax payment on "Tara".

Invitations

TWO INTERESTING DIRECT MAIL pieces have been issued by the Royal Bank of Canada.

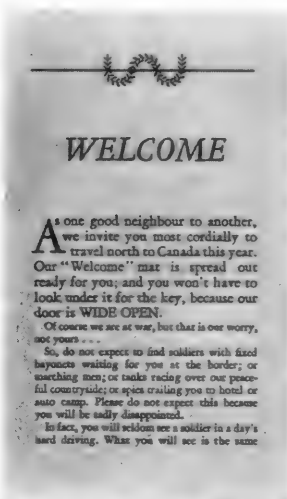
One is a booklet designed primarily to encourage tourist traffic to Canada this Summer. It also reassures potential

zie counties, offering a total of \$75 in prizes. The essays were based on answers obtained by the contestant to 11 general questions about banking, such as "What is the difference between national and state banks?", "What principal individual and community benefits are derived from a local bank?", "Regardless of what the public thinks of deposit insurance, what are the main elements of a bank's strength?" The questions were suggested by a group of students and teachers and the writers were told that they might go to any banker for the answers. The contest was widely publicized locally.

Savings Bank Money Orders

A NEW SERVICE—money orders for not more than \$100—is announced by the Savings Banks Association of the State of New York. Sponsored by the Association, the order is payable at the Savings Banks Trust Company, and is issued by individual savings banks. It will be sold for 10 cents regardless of denomination, up to the maximum.

The adoption of the system, the association points out, provides a uniform instrument, serving a useful purpose and at a modest cost, designed to cover the bank's expense in providing



A booklet intended to allay a neighbor's fears

visitors from the United States who may be overly concerned about the war's effect on their travels across the boundary, such as difficulties at the border. "Of course we are at war," the booklet says, "but that is our worry, not yours. . . ."

The other mailing piece is a booklet containing convenient maps of London and Paris and brief information about the currencies of those two countries. While the first thought in its design was its usefulness to soldiers going overseas, it will doubtless be valuable for general distribution to Europe-bound travelers after the war.

Essay Contest

ESSAY CONTESTS FOR school children are increasingly popular among banks as vehicles of public education. The First National Bank in Williston, North Dakota, ran such a contest for children in Williston and in Williams and McKen-



*The First National
Bank of Chicago
invites business on
the basis of facilities
it has developed
in building with
Chicago since 1863*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

the service. When the plan was announced, over 50 savings banks had expressed a definite interest in undertaking this additional service to depositors.

Cruise for a Prize

USING A.B.A. BOOKLETS as a basis, The Trust Company of Georgia, in Atlanta, sponsored a contest for all of its 125 employees for the six banks in the system, with cash prizes for the two best essays presented on each booklet in each 60-day period, the contest beginning in March 1939 and ending April 1, 1940.

Each bank offered two prizes of \$10 each, and, of those 12 prize winners, the two best papers of the whole group were awarded \$25 each additional. The essays that won these \$25 awards were also published in the company's house organ, *The Associate Press*. At the end of the year's period, the company gave a Caribbean cruise for the best paper that had been submitted during the contest.

Each bank in the system operated on the same schedule. A booklet was given to each of five employees, and they were given 60 days in which to study it and prepare their essays.

"This contest," says D. M. Robertson, vice-president, "was designed not only to make employees more familiar with the functions of the trust company, but to broaden their knowledge on matters both business and political which affect banking, customers and public relations. Those who entered the contest immediately admitted that, after studying the first two subjects prepared by the American Bankers Association, they had a broader conception of the vital matters involved."

Sales Slips

IN ONE YEAR the Barnett National Bank, Jacksonville, Florida, has collected 22 pages of small blue slips, pasted in a scrap book measuring the same size as a newspaper page, turned in by employees who obtained checking or savings accounts.

Each employee of the bank was given a book which tells how he can best serve the bank and contains 12 pages of pink slips which read: "I have called upon the following people during the last two weeks." Space is provided for names and addresses. Each page contains two pink slips, with perforations.

The book contains six pages of blue slips, three to a page, perforated, which read: "I have obtained the (checking) (savings) account of —." There is space for name, address, date, amount, and signature.

"Today we are not afraid to connect the word 'salesman' with banking," says S. H. Fifield, vice-president. "We realize that in our field, as in every other phase of business, it is necessary to sell and then sell some more. And selling is a salesman's job. So we want our employees to become sales-minded."

Electric Equipment

THE VALLEY NATIONAL BANK, Phoenix, Ariz., recently cooperated with the local light and power company in a campaign for sales of electrical equipment, particularly refrigerators.

"Results," says Carl Bimson, vice-president, and manager of the bank's instalment loan department, "were a 24 per cent increase in equipment loans on electric refrigerators during the first two weeks of the campaign, and a 72 per cent increase during the second two-week period. In addition, many new dealer contacts were made, promising a continued increase in loans for the future—not only in electric refrigerators, but also in other types of household equipment."

No cash down payment was required by the bank on electric refrigerators

On Call — Always !



The dependable advice and counsel of the trained airport dispatcher are always available to the pilot as his plane wings over the skyways.

Similarly, the experienced counsel and help of a Standard agent or broker are always readily available to bank or business. Capable, friendly, thorough—he'll help you choose correct coverages, recommend possible economies, and help you out of trouble when mishaps occur. He's a good man to know and he's on call—always!

Standard of Detroit, through its representatives everywhere, insures against financial loss consequent on embezzlement; forgery; burglary; robbery; injuries to employees or public; automobile accidents; and similar hazards.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

during the sales drive, old equipment being accepted as sufficient down payment. Where a dealer had an opportunity to sell a combination of items, a down payment equivalent to 5 per cent was required on equipment other than refrigerators; other terms on equipment sold in combination (except radios) were the same as for refrigerators.

Maximum maturities under the Valley National Bank's finance plan are 30 months, with a \$4.50 minimum monthly payment.

Premium

THE CURRENT savings account drive at the Coast Federal Savings and Loan Association (Los Angeles, California) offers an unusual inducement for large deposits. All accounts with initial deposits of \$300 and over receive a free year's rental of a safe deposit box. Newsads in the campaign also play up higher interest dividends and 10 days of grace for interest credits on deposits each month.

Public Meet

WHEN THE BANKS of Washington County, Ohio, recently invited customers to a dinner meeting for a free-for-all discussion of banking, the committee on arrangements expected a "whine and dine" affair. But the 67 townspeople attending expressed a favorable attitude and sympathetic understanding of local problems. Discussions were genuinely constructive and many suggestions have been lined up for shaping future policies.

Bank Library

IN ADDITION to a business library of 2,000 volumes, periodicals and reference works, the Wells Fargo Bank and Union Trust Company (San Francisco, California) maintains a circulating library of some 300 best-sellers. Employees pay 2 cents a day or 10 cents weekly for books in this group. Keeping up-to-date on the best fiction and non-fiction editions is an important part of the reading menu. The library, the bank reports, is rated high on the list of employee activities.

Lowest Rate

THE UNDERWRITERS TRUST COMPANY, New York City, has established a record low rate of 3 per cent for personal loans on a discount basis. The rate applies to all loans from \$60 to \$3,500. The management, however, has raised requirements and will not loan on single name paper except to especially good risks. Otherwise collateral or co-makers

are required. The new rate is based on the theory that excellent risks are deserving of a good low rate, and results bear out this program as a sound business-getter.

Bank-As-You-Like

A NO-MINIMUM BALANCE checking service is now operated by the clearing-house association of Pottsville, Pennsylvania. It works on the principle that the customer shall pay only upon the amount of service rendered, either by carrying a reasonable balance or by paying a metered charge for checks in excess of the number justified by the

average balance. This schedule provides free checks to compensate for increases in customers' balances. Balances under \$100 are charged a 25-cent service fee; no charge is made over this figure except a 5-cent fee per excess check. The program is reported very practical.

Another Contest

THE MONTANA BANKERS ASSOCIATION is sponsoring an essay contest on banking for high school students of the state. Three prizes of \$100, \$50 and \$25 will be awarded prior to the June state convention. First place winner will also be given a trip to Glacier National Park.

Guaranty Trust Company of New York

140 Broadway

Fifth Ave. at 44th St.

Madison Ave. at 60th St.

LONDON

PARIS

BRUSSELS

LIVERPOOL

HAVRE

ANTWERP

Condensed Statement of Condition, March 31, 1940

RESOURCES

Cash on Hand, in Federal Reserve Bank, and	
Due from Banks and Bankers	\$ 1,239,001,641.16
U. S. Government Obligations	840,110,253.69
Public Securities	59,312,264.25
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities and Obligations	24,475,823.91
Loans and Bills Purchased	439,735,064.43
Credits Granted on Acceptances	12,678,194.92
Bullion Abroad and in Transit	4,231,395.00
Accrued Interest and Accounts Receivable	9,862,511.60
Real Estate Bonds and Mortgages	2,994,323.17
	<u>2,640,201,472.13</u>
Bank Buildings	11,668,416.69
Other Real Estate	1,317,757.14
Total Resources	<u>\$2,653,187,645.96</u>

LIABILITIES

Deposits	\$2,331,183,523.34
Checks Outstanding	12,051,117.74
	<u>\$2,343,234,641.08</u>
Acceptances	\$23,294,148.50
Less: Own Acceptances	
Held for Investment	10,615,953.58
	<u>12,678,194.92</u>
Liability as Endorser on Acceptances and	
Foreign Bills	4,008,198.00
Agreements to Repurchase Securities Sold	158,056.00
Dividend Payable April 1, 1940	2,700,000.00
Items in Transit with Foreign Branches	3,046,808.54
Miscellaneous Accounts Payable, Accrued	
Taxes, etc.	12,207,285.48
	<u>2,378,033,184.02</u>
Capital	\$ 90,000,000.00
Surplus Fund	170,000,000.00
Undivided Profits	15,154,461.94
Total Capital Funds	<u>275,154,461.94</u>
Total Liabilities	<u>\$2,653,187,645.96</u>

Securities carried at \$18,267,714.30 in the above Statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member Federal Deposit Insurance Corporation

Here's a Pointer on Public Relations



What do these facts mean to your bank? Your depositors know the Hammermill name. They have confidence in it. They use Hammermill papers in their business. They respect Hammermill quality. And they respect your judgment when you supply them checks on Hammermill Safety. That is the "plus" which only Hammermill Safety can give you—the opportunity to win for your bank the prestige and good will of the best-known name in paper.

In use, Hammermill Safety lives up to its reputation. Its distinctive

design gives checks an air of authority. It's easy to write on, easy to handle. It's sturdy: folds without splitting, does not cut through on checkwriting machines. And it reveals immediately any chemical or mechanical alteration.

Hammermill Safety is low in cost and promptly available in colors, sizes and backgrounds for every check requirement. Send for sample book and portfolio of specimen checks. See why of all check papers Hammermill Safety is best known by two out of three depositors.

LOOK FOR THIS SURFACE MARK

HAMMERMILL SAFETY

MADE BY THE MAKERS OF HAMMERMILL BOND

Send for it!

Hammermill Paper Company
B-Mat
Eric, Pa.

Please mail me the sample book of Hammermill Safety and Portfolio of Specimen Checks.

Name _____

Position _____
(Please attach to company letterhead)

A number of clearinghouse associations and individual members are sponsoring local contests for the primaries. All banks have issued invitations to participating students to visit the banks for first-hand study and necessary information.

Cornx Plan

THE CORN EXCHANGE NATIONAL BANK & TRUST COMPANY (Philadelphia, Pa.) recently introduced the "Cornx finance plan"—a new and lower-cost service on new and used car financing. Under the plan, the borrower receives a "letter of credit" from the bank which enables him to buy for cash. Both life and personal accident insurance are included in the plan without additional cost above the bank's discount rate.

Public Relations

THE NEW public relations bulletin issued by the California Bankers Association will keep every member of the state's entire bank personnel—25,000 strong—posted on this important activity. Through the *Bulletin*, the association hopes to speed up the process of enlisting the efforts of the rank and file in a constructive long-range program. At regular intervals, the publication will present news on the progress of the state-wide program and will outline tested methods for individual adaptation.

Local Products

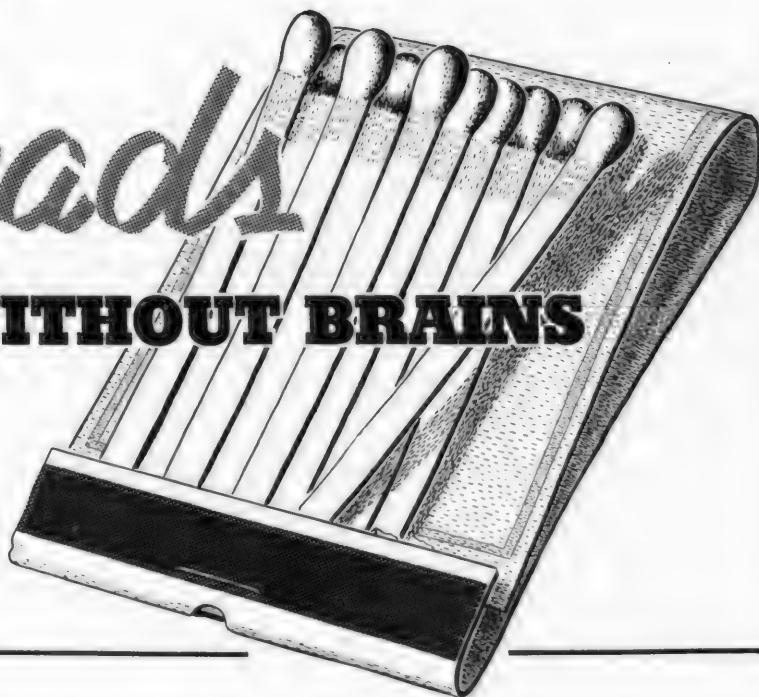
"ELMIRA-MADE PRODUCTS" is the theme of a new series of lobby exhibits being sponsored by the Elmira Bank & Trust Company (Elmira, New York). When students of the Elmira Ground School, an N.Y.A. project, rolled in a rebuilt (wingless) airplane, a huge motor and propeller, it somehow suggested the sky was the limit. Every manufacturer was quickly signed up for the schedule.

D. I. T.

THE FIRST NATIONAL BANK of Birmingham (Alabama) capitalized on timely selling of checking account service with a series of newsads pointing out how cancelled vouchers quickly track down legitimate "D. I. T." items for income tax returns. Copy listed a complete schedule of deductible items and an illustration of a facsimile check suggested a simple method of ear-marking such items for the future. Selling themes were developed around this particular aid to business and personal bookkeeping.

Heads

...WITHOUT BRAINS



MATCHES have no way of directing their activities. That's one important reason why IRM includes a plant's employees in its broad fire-prevention service.

When the worker at the bench once understands thoroughly that a plant fire will probably throw him out of a job, he'll think twice before he breaks a rule about smoking, or lets a trash pile accumulate. He'll also be more likely to study the instructions on fire extinguishers; to

familiarize himself with the company's other fire-fighting equipment and to watch valves more closely.

Because IRM makes such thorough work of fire-prevention, the buildings it insures are *improved* risks—buildings where costly fires are less likely to occur. And by keeping fire losses down, IRM has been able to return 25% of its premiums to policyholders every year since organization—sound indemnity at minimum cost!

IMPROVED RISK MUTUALS

60 John Street, New York



A nation-wide organization of old established, standard reserve companies writing the following types of insurance: Fire • Sprinkler Leakage • Use and Occupancy • Tornado and Windstorm • Earthquake • Rents • Commissions and Profits • Riot and Civil Commotion • Inland Marine

Job Drive

THE PENNSYLVANIA JOB MOBILIZATION PLAN was the cue last month for a state-wide Spring cleaning drive. Modernization loans were featured in a number of bank campaigns as an effort to stimulate jobs in the building trades. The tie-up, according to early reports, brought about a good increase in small loans. In the Philadelphia area, the Land Title Bank & Trust Company placed the resources of its small loan department back of the movement and drew no lines on the value of property so long as the borrower was a moral good risk. This is the kind of promotion

that makes the home-owner a little more conscious of his obligation to keep his property in good repair.

Parking

THE LINCOLN NATIONAL BANK & TRUST COMPANY (Syracuse, New York) recently purchased an adjoining garage to solve the parking problem for customers. Driving patrons can now pass from the landing platform in the garage directly through an archway into the main banking room. A teller's stamp on his car-check entitles him to an hour's free parking. The garage has a capacity of 300 cars. If the garage is

leased in the future, the contract will continue free service for bank customers.

Small Homes

THE MORRIS PLAN BANK OF (RICHMOND) VIRGINIA campaigns for suburban building with a 15-year financing plan for homes and cottages costing up to \$2,500 and a down payment of only 5 per cent. On the maximum loan in this class, monthly payments are \$20.90, which includes a 3½ per cent per annum discount charge. This loan answers the problem of many small wage-earners for whom home ownership in the city is out of the question. The bank advises that \$125 will buy an acre or more of land with a fronting on a hard-surfaced road close enough to the city for commuting. Opening announcement in the campaign stressed the point that private enterprise such as this is a good case example that the housing, living, working and security problems of the small wage-earner can be solved without resorting to a fully subsidized government program.

Newscasting

THE MANUFACTURERS TRUST COMPANY, New York City, inaugurated its second news broadcasting programs recently with a twice-weekly 15-minute program on WEA. For the past six months, the bank has sponsored a similar schedule over Station WOR of the Mutual network. In each program special emphasis in the commercials is given to personal loans and special checking accounts. There is no doubt that news time on the air-waves provides a plus audience for the advertiser these days. Our recent study of radio indicates a good percentage of bank advertisers prefer newscasting or spot announcement preceding or following news programs.

Co-ordination

BANK OF AMERICA has announced the formation of a public relations committee to help promote a better understanding and appreciation of its state-wide banking system. Committee functions will be to approve the budgets and program of activity for advertising and publicity, sales promotion, house organ, staff education and other related departments. Its activities will also include the origination of plans and methods for stimulating new business of all kinds, developing original subject material for visual and other types of staff and consumer education and preparing special studies and statistics on the accomplishments of each department under its jurisdiction.



Statement of Condition

At the Close of Business
March 26, 1940

ASSETS

Cash on Hand and Due from Banks	\$75,166,362.81
United States Securities Owned	20,910,200.00
Stock in Federal Reserve Bank	330,000.00
Other Stocks and Bonds	2,315,708.73
Loans and Discounts	44,705,209.13
Furniture and Fixtures	276,626.66
Banking House	2,305,000.00
Other Real Estate	1,105,353.37
	<hr/>
	\$147,114,460.70

LIABILITIES

Capital Stock	\$5,000,000.00
Surplus Fund	6,000,000.00
Undivided Profits, Net	3,760,617.19
Reserved for Taxes, Etc.	146,458.34
Reserved for Dividends	350,000.00

Deposits

Individual	\$79,944,380.61
Banks and Bankers	46,682,665.91
U. S. Government	5,230,338.65
	<hr/>
	131,857,385.17
	<hr/>
	\$147,114,460.70

FIRST NATIONAL BANK
in DALLAS MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

An Operations Manual

AS an important part of its customer relations program, the Central-Penn National Bank of Philadelphia has completed a working manual covering, in considerable expository detail, the bank's operations. The purpose is to give the employee a speaking acquaintance, at least, with every department and its duties, so that he will know not only the whys and wherefores of his own job, but its relation to the jobs of others.

The manual was written by Everett R. Verbeek, customer relations counsel of the bank. Its eighteen chapters were issued serially, one each week, to the employees. Loose-leaf binders were provided for permanently preserving the mimeographed sheets. At the end is an index giving the chapter headings, sub-headings and page references.

Starting with "New Accounts and Making Deposits", the manual takes up successively the many departments of the bank.

Explaining the purpose of the manual in a preface, T. G. Conklin, cashier of the bank, writes:

"The information contained herein was designed to provide most of the answers to the questions we find necessary to ask so frequently, or go uninformed. The study of the material in the Manual will not qualify you, without further training, to take over the duties of the various key positions, but it will help give you a working foundation which, if properly applied, like all education, will help you to progress.

"Most of us have a general knowledge of the banking business. However, in the past few years, due to new legislation, mergers and business conditions, we have seen many changes in methods and procedures. The Manual is offered in order that we may review the work of the various departments of the bank. By following it through, from beginning to end, we are sure that all of us will become better acquainted with the policy and methods of the Central-Penn National Bank, and will, we know, become better trained employees.

"This is your Manual. Use it and refer to it."

Mr. Verbeek, in a note of instruction on use of the Manual, says that some of the details of departmental operation are condensed. Employees are referred to the department heads for further information on any particular they want to know more about.

It's a Honey!



GIRL SAYS: "I'm a *real* secretary now—not just a stenog. My work's faster, smoother and so much easier now that the Boss dictates to that beautiful, beautiful new Ediphone."



EDIPHONE SAYS: "O.K., I'm beautiful—but I'm a brute for work too. I'm rugged, fool-proof and a glutton for licking detail." (So's the streamlined floor model Ediphone.)

BOSS SAYS: "Notes, letters and instructions don't pile up and cut in on *my* time. I *talk* my work away now—to a new Ediphone!"

WE SAY: In almost *any* executive job an Ediphone will save you time and trouble . . . *You* try one. No strings to the offer. Just write Dept. K5, Thomas A. Edison, Inc., West Orange, N. J., or Thomas A. Edison of Canada, Ltd., 610 Bay Street, Toronto.



SAY IT TO THE

Ediphone
EDISON VOICEWRITER

This material is compiled for
BANKING by Albert Journey

WHEN the late R. B. MELLON of Pittsburgh went to Bismarck, North Dakota, in 1882, he found there a young lawyer who had arrived from New Hampshire only a few months earlier. The two had many things in common. During the five years Mr. MELLON remained they were neighbors, hunting companions, banking competitors, and firm friends. This friendship, founded in the then rough and tumble pioneer town, continued through the years until broken by Mr. MELLON's passing.

The young lawyer was C. B. LITTLE, now president of the First National Bank in Bismarck and the oldest surviving active banker in the state. When Mr. MELLON returned to Pittsburgh he wanted Mr. LITTLE to go with him but the latter had become attached to the West and preferred to find his future there.

It was fortunate for North Dakota that he made this choice, for he became one of the state's most valued citizens. He has served in such positions as probate judge, member of the North Dakota Senate (1889-1909), chairman of the Republican state convention (1904), delegate-at-large to the Republican National Convention (1916), president of the Bismarck library board, and perennial president of the North Dakota Historical Society.

Colonel LITTLE has long been a trustee of Dartmouth and has never missed a regular meeting of the trustees. He is a golf enthusiast and still plays within a few strokes of par. While he spends most of his time in Bismarck, he maintains a home in Pembroke, New Hampshire, where he was born, and another in Hollywood, both of which he visits frequently.

★

A Kansas City banker who recorded a net loss of 18 cents on a \$3,000,000 deal made the front pages recently.

WILLARD J. BREIDENTHAL, president of the Riverview State Bank in Kansas City, Kansas, was subpoenaed as a witness in an injunction suit. When questioned, Mr. BREIDENTHAL, whose testimony was only incidental to the case, laughed.

"I hate to admit it but we lost 18 cents on the \$3,000,000 deal," he said. Even the judge chuckled when Mr. BREIDENTHAL "guessed the loss would be charged off to experience."

Actually it wasn't as bad as it sounded. Mr. BREIDENTHAL's bank served as escrow agent in a purchase by the Union Pacific Railroad of a \$3,000,000 block of revenue bonds for a food terminal built in Kansas City, Kansas. The 18 cents was for cost of a registered letter. Nevertheless, all Kansas City papers recounted Mr. BREIDENTHAL's unprofitable venture that afternoon.

★

When a tornado recently struck Alton, Illinois, the home of LAWRENCE KELLER, Jr., trust officer of the Alton Banking and Trust Company, was in the center of the area hardest hit. Among Mr. KELLER's possessions which the big wind removed was a cherished letter written to him by his wife before they were married.

Several days later it was returned to him by HERMAN LUER, son of the bank's president. The capricious tornado had dropped the letter on Mr. LUER's lawn, two and a half miles from the KELLER residence.

★

SAM L. MILLER, president, City State Bank and Trust Company, McAllen, Texas, has been awarded the title of "McAllen's Most Valuable Citizen during 1939". The basis of the award is all-around value to the community in the light of civic accomplishments.

Mr. MILLER was chosen on the first ballot. Quietly and unobtrusively he has been doing splendid work for his community in developing new and important projects. He has been a director of the chamber of commerce for several years and a leader in recent efforts to change the state's 7,000 pound load limit on trucks. He has worked to expand local industry, to increase tourist travel, and to reduce shipping charges on produce shipped from this section.

★

At a dinner in 1917, the Quarter-Century Club of the First National Bank of Chicago came into being. The organization started with 79 members, a remarkable showing for a bank located in the Midwest. The president's announcement stated that "the

steadfastness of purpose of those who are eligible to membership has meant a great deal to our institution and indicates a loyalty for which I desire to express the appreciation of the bank's managers." Of the 79, 16 accepted invitations to this year's dinner. Three are still in the active service of the bank.

★

W. C. (BILLY) BOWMAN, president of the First National Bank of Montgomery, came to Alabama from Natchez, Mississippi, where he had practiced law. Some of his former associates still call him "Senator", reminiscent of his service in the Mississippi legislature.

Entering banking Mr. BOWMAN quickly won many friends and became prominent in both the state and American Bankers Associations. He was president of the former in 1938-39 and served in

(CONTINUED ON PAGE 71)



Above

FLOYD M. HUTCHISON, cashier, Exchange State Bank, Kansas City, Kan., at the controls in a milking contest at a recent American Royal Livestock show in Kansas City. Mr. HUTCHISON, one of a dozen business leaders of the two Kansas Cities who participated in the event, proved apt at the art of milking, for he extracted two pounds and four ounces of the fluid in the allotted four minutes, winning second place.

Mr. HUTCHISON is a past president of the Chamber of Commerce, is active in Y.M.C.A. work and has served the Community Chest Association as president and general campaign chairman.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition, March 30, 1940

RESOURCES

CASH AND DUE FROM BANKS	\$1,522,549,670.85
U. S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	815,586,396.91
STATE AND MUNICIPAL SECURITIES	151,249,099.82
STOCK OF FEDERAL RESERVE BANK	6,016,200.00
OTHER SECURITIES	133,434,345.33
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES.	639,525,894.61
BANKING HOUSES	32,922,346.10
OTHER REAL ESTATE	8,147,230.87
MORTGAGES	10,786,667.14
CUSTOMERS' ACCEPTANCE LIABILITY	16,653,390.08
OTHER ASSETS	8,657,147.72
	<u>\$3,345,528,389.43</u>

LIABILITIES

CAPITAL FUNDS:	
CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS.	<u>36,216,918.24</u>
	\$ 236,756,918.24
RESERVE FOR CONTINGENCIES	15,156,472.57
RESERVE FOR TAXES, INTEREST, ETC.	1,996,347.06
DEPOSITS	3,060,768,704.17
ACCEPTANCES OUTSTANDING	17,757,292.37
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	4,540,887.09
OTHER LIABILITIES	8,551,767.93
	<u>\$3,345,528,389.43</u>

United States Government and other securities carried at \$134,816,563.40 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

Super-Test



**FIDELITY
and DEPOSIT**
— COMPANY OF MARYLAND —
BALTIMORE

WITH power dives and barrel rolls, the test pilot measures the punishment his plane can take—subjects it to far greater strains than ordinary flying is likely to impose.

In the past half century, the Fidelity and Deposit Company of Maryland has proved its soundness and strength by the way it has met its obligations during a testing period marked by major economic disturbances.

Drawing upon the Company's long and specialized experience, local F&D representatives offer invaluable assistance to businesses and banks in planning insurance and bonding programs to meet their special requirements.

Present day conditions pose new problems in protection. Have your coverages been adjusted to meet them?

**FIDELITY, SURETY AND
BANKERS BLANKET BONDS
BURGLARY, ROBBERY, FORGERY
AND GLASS INSURANCE**

50th
F
Anniversary

MAIN STREET—Continued

many important positions in the latter, including membership on the Executive Council. At present he is Chairman of the Executive Committee of the A.B.A.'s National Bank Division.

Mr. BOWMAN and his bank are playing an important part in the development of the Alabama livestock industry in an effort to solve the Alabama farmers' need for a profitable substitute for declining profits in cotton raising. Such rapid strides have been made that Montgomery is being called "The Cow Town of the South."

In addition to numerous other civic responsibilities Mr. BOWMAN finds time to serve as senior warden of the Episcopal Church; as director of the chamber of commerce, and as an active Rotarian. As for recreation there isn't a more enthusiastic golfer or hunter to be found in the South.

★

The distinction of being the only woman in the East who is president of a major bank is held by Mrs. MARY G. ROEBLING, president of the Trenton Trust Company. She assumed the position several years ago.

Outside of bank hours, Mrs. ROEB-

LING finds time for a variety of charitable activities. She is a trustee of McKinley Hospital and a member of the State Unemployment Compensation Commission. Tennis, golf, horseback riding and swimming are among her hobbies, but she confesses to enjoying business more than social life.

★

LEE BRADY, active vice-president, First National Bank of Mart, Texas, has been appointed State Banking Commissioner by Governor O'Daniel. Mr. BRADY has had 34 years of practical banking experience and has been a

familiar figure at bankers' meetings for years.

★

A director of a northern bank was recuperating in the South from a mild heart attack. During his stay he had frequent occasion to chat with Mose, an old colored retainer in the home where he was staying. The bank director and the darky had been friends for many years. Nothing would do but that the invalid should tell the veteran all about his illness. When the recital ended Mose had this to say:

"You know, Mister Will, you white folks doan know how to live. Now take

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

Statement of Condition, March 26, 1940

RESOURCES

Cash and Due from Banks	\$ 603,133,521.25
United States Government Obligations, Direct and Fully Guaranteed	592,784,544.00
Other Bonds and Securities	60,429,462.39
Loans and Discounts	144,360,946.55
Stock in Federal Reserve Bank	2,400,000.00
Customers' Liability on Acceptances	357,576.46
Income Accrued but Not Collected	3,459,898.56
Banking House	12,525,000.00
Real Estate Owned other than Banking House	3,053,800.79
	<u>\$1,422,504,750.00</u>

LIABILITIES

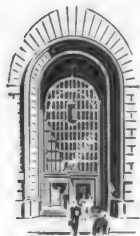
Deposits	\$1,301,971,930.12
Acceptances	360,773.56
Reserve for Taxes, Interest and Expenses	5,996,402.62
Reserve for Contingencies	16,153,506.72
Income Collected but Not Earned	246,531.86
Common Stock	50,000,000.00
Surplus	30,000,000.00
Undivided Profits	17,775,605.12
	<u>\$1,422,504,750.00</u>

United States Government obligations and other securities carried at \$138,209,882.23 are pledged to secure public and trust deposits and for other purposes as required or permitted by law

Member Federal Deposit Insurance Corporation



The six men and a ghost in the picture above had much to do with a recent presentation of Shakespeare's *Julius Caesar* by the Kalamazoo (Mich.) Civic Players. Besides the play's well known author, there appears in the picture, at the extreme right, DUNLAP C. CLARK, president of the American National Bank, Kalamazoo. Mr. CLARK has been interested in amateur Shakespearean productions for a number of years, and in this latest one in his home city he played the part of Marcus Brutus



SERVING AMERICAN BANKS IN 29 COUNTRIES

Complete correspondent services available to American banks through an extensive branch system in Canada, Latin America and Overseas.

Over 600 branches in Canada and Newfoundland; 44 branches in Cuba, Puerto Rico, Dominican Republic, Haiti, British and French West Indies and 21 branches in Central and South America. Also in London and Paris. Enquiries invited.

THE ROYAL BANK OF CANADA

HEAD OFFICE, MONTREAL

ASSETS OVER \$960,000,000

New York Agency, 68 William Street



THE SERVICE CONCEPTION which has actuated this organization since establishment is that of providing the capital needs of worthy public and private borrowers, on the one hand, and safeguarding principal and income to conservative lenders, on the other.

A readable brochure further outlining basic policies and activities of this organization, will be sent upon request.

HALSEY, STUART & CO. Inc.

CHICAGO, 201 S. LA SALLE STREET • NEW YORK, 35 WALL STREET
AND OTHER PRINCIPAL CITIES

me, I'se 80 years old dat I knows of, and how long I was alive befo' dat I caint tell. I ain't had no heart failure nor nuthin' else 'cause when I works, I works hard, and when I sits, I sits loose, and when I worries, I'se asleep!"

★

The president of one of America's 50 largest banks had in his youth been a noted amateur boxer. In checking on his boxing ability, this department was referred to an old ex-pugilist who had for years been boxing instructor at one of the city's leading clubs. "Was Mr. So-and-so a good boxer?" we enquired. "Boy, was he!" was the enthusiastic reply. "He was so good that if he'd had sense enough to keep it up he might have amounted to something."

★

Badminton, the game that came into being on an old English estate during a rainy week-end, is now one of America's fastest growing recreational activities.



Miss Janet Wright

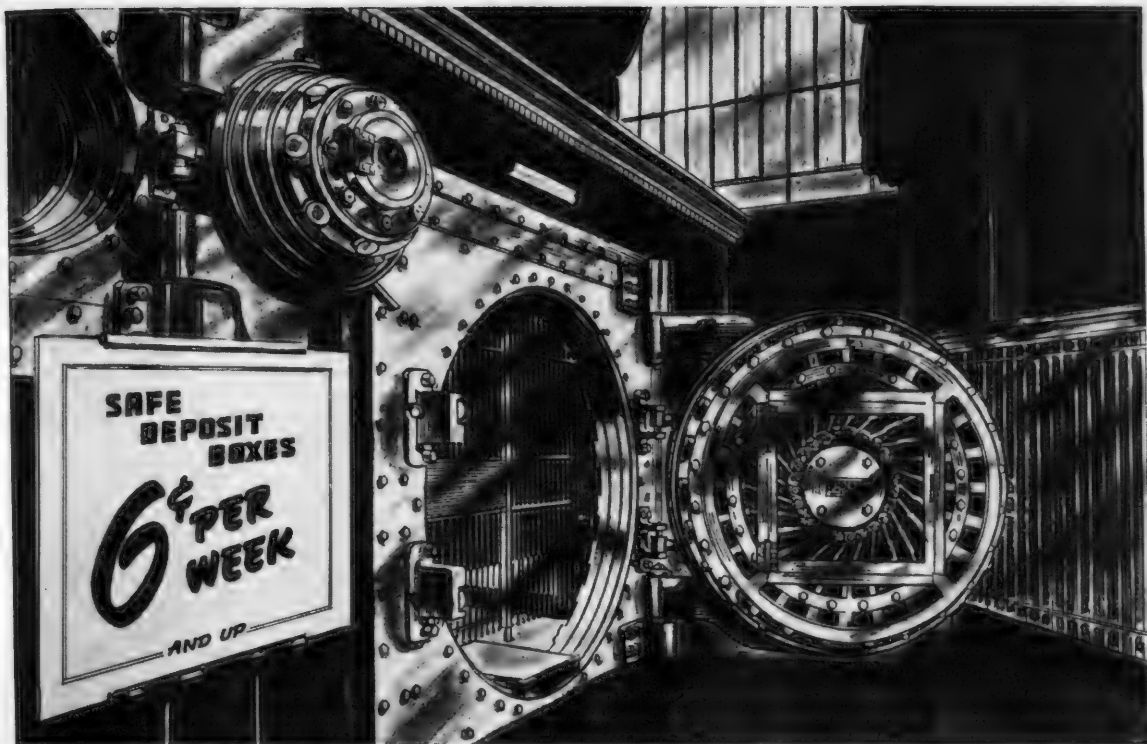
Ranking high in the feminine division of this new sport is Miss JANET WRIGHT of the Wells Fargo Bank and Union Trust Company, San Francisco.

In the California state tournament held recently at Pasadena, Miss WRIGHT got to the quarter finals in the singles and, with her partner, won the doubles championship.

★

SCHOOL ADMINISTRATION and banking are the unusual combination of ingredients in the career of W. J. FLYNN, president of The Bank of Erie, Erie, Pennsylvania.

When Mr. FLYNN was graduated from high school in 1892 he entered the office of the Erie board of education as a
(CONTINUED ON PAGE 74)



HOW *do* YOU DO IT?

Your own safe deposit vault offers a striking example of the economy of cooperation; for while the vault costs thousands of dollars to install and operate, any member of the community may enjoy its tremendous protection at tiny cost.

The bank itself benefits by similar economy through the efforts of the reputable bank stationers who are members of this Institute. Their

knowledge of bank forms and bank procedures—combined with their aim of supplying the best in checks, letterheads, passbooks and other bank stationery—results in hundreds of favorable reactions in your community every day. These companies not only save money for their clients, but take pride in a quality which wins, and keeps, good customers for banks.

FOR BETTER RELATIONS BETWEEN YOUR BANK AND THE PUBLIC

THE INSTITUTE OF BANK STATIONERS

51 EAST 42ND STREET • NEW YORK



MAIN STREET—Continued

clerk, later becoming secretary of the board. Out of efforts of the Pennsylvania Association of School Board Secretaries, of which Mr. FLYNN was once president, came the creation of the office of business manager, which relieved school superintendents of all administrative duties not purely educational.

Mr. FLYNN also was active in creation of the National Association of School

Accounting Officers, which contributed greatly to a higher standard of school business administration.

After 25 years with the school system, Mr. FLYNN "succumbed to the lure of increased compensation offered elsewhere", as he puts it. At the end of four years with an industrial plant, he joined the staff of The Bank of Erie as cashier, where he found that his experience organizing a business department in a public office stood him in good stead.



**"GIVE MY BEST
TO THE FOLKS"**

"Hope to be seeing you soon." . . . "Gee, it's swell to hear your voice." . . . "We're all well here."

No great words of business or state are these — just the homey, every-day conversations that are America. The thoughts and hopes and remembrances that bind families and friends together. The flow of understanding that helps to make this a united nation.

Always the Bell System stands ready to help . . . to do its part quickly, cheaply, courteously, in the manner of a friend.

BELL TELEPHONE SYSTEM



★

A little theater department which has already staged a number of creditable plays is being developed at the Frye Institute of Chattanooga, Tennessee, under the tutelage of E. Y. CHAPIN, chairman of the board of directors of the American Trust and Banking company and a director of a dozen or more Chattanooga corporations.

The Frye Institute was set up a few years ago under the will of the late Capt. W. R. FRYE and it is intended to furnish recreational facilities to industrial workers and office workers at a minimum cost. Mr. CHAPIN is president of the Frye Institute, and he has fostered the little theater department, and the music department.

He helped to organize the Chattanooga Little Theater in 1923 and was its first president. He usually goes to New York each Fall to look over the new plays and last season he saw 18 shows during a two-week stay. In addition to the theater, Mr. CHAPIN is interested and takes a part in other civic and cultural activities. He is president of the Chattanooga Public Library, a member of the Hamilton County school board and treasurer of the Chattanooga Tuberculosis Sanatorium Association.

Below, M. C. Pfefferkorn, vice-president of the First National Trust and Savings Bank of San Diego, California, with some prize dahlias he has raised. Mr. Pfefferkorn is considered an outstanding amateur in this field. However, this hobby is not his only one, music and amateur athletics being two others. He was president of the San Diego Symphony Orchestra Association for five years and head of the American Athletic Union for six years



BANKING



"WHAT WILL THIS INSURANCE DO FOR ME"

...that's what you want to know!

TO safeguard your bank and the properties you control, you should ask yourself periodically these questions: "Is our insurance protection adequate? Are there any loopholes in our present policies which might result in serious financial losses? How can we safely reduce the cost of our insurance coverages? How can we be *sure* our losses will be paid promptly and fairly?"

Our representatives are well qualified to help you answer these questions. For Liberty Mutual and United Mutual were organized by and for insurance buyers to provide protection to selected

risks at the lowest possible cost.

Our representatives have been trained to look at insurance problems from your point of view. They are paid on a full-time salaried basis to see that you receive complete and adequate protection, to help you simplify your policy structure, and to prepare an insurance program to fit your special requirements. And, by dealing directly with us, you fix the full responsibility for your protection on the companies which protect you.

Because we are an organization of policyholders, our loss adjustment service is also unusually prompt and reliable. If

you suffer losses, we relieve you of all bother and red tape. Our skilled investigators and adjusters are instantly available to protect your interests fully.

More than 30,000 businesses, including many banks, and more than 200,000 individuals have found this kind of service to their liking. Perhaps you would, too. Our representative would be glad to explain our complete insurance service to the officers of your bank and your customers without obligation. Write today to Liberty-United, 175 Berkeley Street, Boston, Massachusetts.

LIBERTY  **MUTUAL**
INSURANCE COMPANY

UNITED  **MUTUAL**
FIRE INSURANCE COMPANY

Home Offices: 175 Berkeley Street, Boston. Offices in principal cities from coast to coast.



In building... rust-proof Anaconda Metals increase investment values



COPPER, brass and bronze save upkeep for the homeowner, and, by preserving the useful life of the house, enhance its value as an investment.

Building materials such as copper and brass water pipe, Everdur hot water tanks, copper sheet metal work and bronze screens cost so little more than temporary, rustable products that, in terms of service rendered per year, per dollar, they are far more economical.

39275



THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Connecticut

Subsidiary of Anaconda Copper Mining Company

In Canada: Anaconda American Brass Ltd., New Toronto, Ont.

Anaconda Copper & Brass

Banking in a Grown-Up Country

TAKING of the 1940 census arouses interesting speculation as to what the unprecedented amount of information requested this time will reveal of particular significance to businessmen and bankers, especially along the lines of population and age trends and social and economic tendencies.

For the past few years we have been hearing that America is growing up and that the average age of the people of this country, higher now than it was ten years ago, will be still greater in another 50 years. Statistics, based on the 1930 census and estimates projected from that time until now, indicate that the effect on business, industry, education and national habits will be gradual but tremendous.

According to Dr. Warren S. Thompson, director of the Scripps Foundation for Research at Miami University in Ohio, the America of tomorrow will need fewer perambulators and more wheel chairs. The country as a whole will require less new capital, make fewer quick fortunes, close a few school houses and see more folks off to Florida for the Winters.

SLOWER GROWTH

ROOTS of the 1929-39 depression are anchored in this population shift, he said. In the decade between 1920 and 1930, the population of the United States increased 17 millions. That increase was equal to the entire population of Holland and Belgium combined. So, in this country, we had to build enough new homes, automobiles, furniture and complete equipment for the equivalent of two whole European nations; that helped make the boom of the '20's.

In the decade between 1930 and 1940, the increase may equal the population of Holland but not of both countries, so we need not produce as many homes and other equipment. This means less capital investment, more stabilization of industry—but at a lower level than the expanding business of the last decade. Or it may mean investment in new and hitherto unexplored fields.

Businessmen will need to develop more business from present customers rather than hope for numerically more customers. The population will soon become stationary and older. Children's needs will be curtailed and the needs of older people will be increased.

The population curve, which up to now always has risen in America, is levelling off, and will reach a point of stability, where population neither increases nor decreases, in about 50 years. It is levelling out because of a decrease in immigration and a lower birth rate, especially in cities.

What does all this mean to banking? Less financing for plant expansion and for production of certain articles used heretofore by younger groups and more credit for the manufacture of items used by older people?

Financing of the building of small, efficiency apartments and bungalows where maintenance and housework are at a minimum, and fewer rambling estates costly to maintain?

An increase in the volume of business done by personal loan and finance departments to finance household appliances and power machinery for the farm, to do away with the manual labor which younger men used to do?

Will the long-heralded trust service for the man with a modest estate be a development of this age trend?

Will there be less thrift and savings activity in view of the social security and annuity payments which will come due?

These are a few of the things that banks and trust companies need to consider in any program of long-range planning.

I. I. SPERLING
Assistant vice-president
Cleveland Trust Co.

A Plan That Sells Bank Real Estate

BANKS and real estate agents of New Haven, Connecticut, have a smoothly working method of selling institutionally owned properties.

With the active cooperation of the 42 brokers who are members of the New Haven Real Estate Board, sales for the first quarter of 1940 totaled \$310,250, compared with \$131,100 for the same period of last year. Total sales for 1939 amounted to \$1,181,835.

Active promotion, supported by a simple listing system, has contributed toward this achievement. The board has a full-time secretary who takes charge of the listing details, including descriptions and photographs of properties, and mimeographing and distribution of essential information to the member agents. Also, there is the institutional properties committee of the board, which looks after the promotion work and maintains contacts with the banks. A monthly bulletin is sent to all active members, reporting property sold, the name of the broker listing and selling it, and the price.

For our promotion efforts we set displays in vacant store windows, selecting, so far as possible, locations that are in good retail districts.

For listing purposes, the institutions are divided into two classes. In Class A are those placing their properties with agents on an exclusive basis, while in Class B are those not having exclusive agency contracts with brokers. Brokers handling Class A parcels pay a 25 cent fee to the board for each listing, and they are obliged to send in all "for sale" properties owned by their institutions. There are small fees for listing and for the photographs.

When a sale is made by the listing agent he keeps the whole commission except 2 per cent which is paid to the board to help meet expenses. If a cooperative broker who is a board member sells one of these listings the board gets 5 per cent of the total commission, of which 60 per cent is paid by the selling broker and 40 per cent by the listing broker; the sales commission is divided between the two on the same basis.

Class B listings are sent to the board office by the institutions. A mimeographed card is made out by the secretary and sent to all active members. When a member sells a property he keeps the entire sales commission except the 2 per cent that goes to the board. If the institution sells the property itself or through a non-member broker, the office is notified and members are told to delist it.

Institutions which have listed their properties exclusively with a board member are the ones that have obtained the best results.

AMOS G. HEWITT, Member
New Haven Real Estate Board
New Haven, Conn.



*I*F one slogan expresses the basic reasoning that underlies all trust department advertising and solicitation, it is: "There is no substitute for experience."

In planning the administration, transfer and conservation of an estate . . . in carrying out that plan, as executor and trustee . . . the corporate fiduciary's *experience* is the factor that, more than any other, makes its service valuable.

Experience is also the principal reason why leading banks and trust companies use Purse service year after year. They start using it in order that their business development plans and advertising will be based on *The Purse Company's experience* of over 40 years. They continue using it because *their experience* thereafter proves that Purse service is a *profitable investment*.

Decide *now* to let experience, ours and yours, be the foundation of your future business development program.

The Purse Company
Chattanooga, Tennessee
Headquarters for Trust Advertising

BOSTON NEW YORK CHICAGO LOS ANGELES

ASK BANKING

Prizes Every Month!

Each month \$5 will be paid for the best question submitted to this department, and \$2 will be paid for all other questions answered here. Generally, the questions should be related to bank methods and operations. Other questions will be answered by letter.

Answers will be given by E. S. WOOLLEY, who conducts the department, and other operations authorities of BANKING.

Following is the question that wins the \$5 award this month.

NET SOUND CAPITAL

Some authorities state that if a decline of 25 per cent in the value of the sub-standard assets wipes out 20 per cent of the net sound capital, the situation has become risky. Exactly what figures are used to arrive at this "net sound capital"?

LIKE many other terms, "net sound capital" can mean different things to different minds. To some it means the total of the capital stock, surplus, undivided profits and reserves for losses and contingencies after charging thereto all known and possible losses. To others it means that amount which the F.D. I.C. in its reports terms "adjusted capital". This adjusted capital is the sum of the capital accounts after deducting 50 per cent of the assets listed by their examiners under their classification 2 and 100 per cent of those listed under classification 3.

Any of these computations, to be of practical value, is for one purpose only, and that purpose is to provide as nearly accurate an answer as possible to the question, "Can this bank meet any demands that may be made upon it?" Any comparisons between the sub-standard assets and the capital structure are really made, therefore, to ascertain the margin of safety.

It is the opinion of this department that this margin of safety can best be found by dividing the various classifications of earning assets and other real estate into (a) the reserves for losses and contingencies, (b) those reserves plus the undivided profits, and (c) the sum of those two plus the surplus.

These percentages will then show not only the total margin of safety but also the degree to which each classification of earning assets and other real estate can decline before the different portions of that margin of safety are successively wiped out. The amounts of known and possible losses in each classification, such as market to book value of bonds, can then be compared with the amounts computed from these percentages. This will show management how close the present assets are to the margins and will indicate the desirability of either maintaining or increasing them. Such a decision would be based upon the present ratio between book and true values and also upon the immediate outlook for business conditions in general.

It will be noticed that these "margins of safety" are applied only to the earning assets and other real estate. Cash and fixed assets are excluded. On the other side of the balance sheet, capital stock is excluded. As a going concern a bank needs its building and fixtures, and as a going concern it cannot have its capital stock impaired.

FLOAT

Many banks have adopted average methods of arriving at the float. Can these methods be used where a bank is analyzing the accounts on the minimum balance basis?

SUCH average methods cannot be successfully used when analyzing accounts on any basis. The only way to analyze individual accounts is to analyze them individually. The average methods cannot do this as they must, of necessity, penalize some depositors and benefit others. Averaging float is just as bad as charging an average price for checks, transit and clearing items. Multiplying the float daily by the number of days in transit makes it impossible to ascertain the amount of the collected funds. For example, \$1,000 outstanding for 3 days is not the same as \$3,000 outstanding for one day. The mere fact that the interest would be the same has nothing to do with it. Where average days in transit are used and all float is multiplied by this figure the condition is even worse.

(CONTINUED ON PAGE 80)

BOOKLETS

INSURANCE. *The Noise of a Thousand Freight Trains.* The Home Insurance Co. of New York, N. Y. Photographs of the damage wrought to Albany, Georgia, by the tornado of February 10, 1940.

BUILDING. *The Ounce and The Pound.* The Celotex Corp., 919 North Michigan Avenue, Chicago, Ill. New 72-page handbook on gypsum plaster published primarily for plastering contractors, architects and craftsmen.

INTERIOR SIGNS. *Displays.* Gardner Displays, Pittsburgh, Pa. Four-page brochure describing a new three-dimensional animated display for bank windows, lobbies or counters.

TRACTORS. *One Million Hours of Diesel Satisfaction.* Caterpillar Tractor Co., Peoria, Ill. Pictures and descriptions of 78 Diesel-powered machines that have

operated a total of more than 1,000,000 hours to date.

MODERNIZATION. *How to Modernize and Make It Pay.* United State Gypsum Co., Chicago, Ill. Eighty-two pages of suggestions for modernizing the exteriors and interiors of homes from cellars to garrets.

HEATING. *Electric Heating Units and Devices.* General Electric Co., Schenectady, N. Y. Catalog prepared to assist electrical engineers and superintendents in solving small heating problems in industrial plants.

TRUST ADVERTISING. *Nine Deaf Men.* Cambridge Associates, Inc., 163 Newbury Street, Boston, Mass. Discusses the market for trust new business and describes a promotion plan used successfully by many corporate fiduciaries.



Complete proof in one operation

WITH THE INTERNATIONAL PROOF MACHINE

Only one handling of each batch of checks is necessary to arrive at complete proof with the International Proof Machine... sorting, listing, proving, and endorsing operations proceed simultaneously.

Checks are listed on the control tape in the same sequence as on deposit slips and totalled for comparison with depositors' totals. An error is revealed instantly and may be located in a few seconds...

no more waiting till the end of a run to know whether or not a balance will be reached, nor time lost searching for differences.

The Proof Machine also provides totalled listings for each of the 24 sorting classifications, shows the number of checks in each deposit or group and indicates the grand total. It also prints either full endorsements or identification information on the checks.

The only way to appreciate fully the many time and money saving advantages of this modern proving method is to see it in operation... a personal investigation will not obligate you in any way.

INTERNATIONAL BUSINESS MACHINES CORPORATION

World Headquarters Building

590 MADISON AVENUE, NEW YORK, N. Y.



Branch Offices

IN PRINCIPAL CITIES OF THE WORLD

Float, actually, is only the time that it takes for the item to reach the paying bank. Because, unfortunately, some checks are not paid when presented it is necessary to add sufficient time to allow the item to be returned if unpaid. However, to increase this time beyond that actually needed is not right. To charge depositors six or seven days on an item which takes only three days to clear and be returned in case of non-payment is very bad public relations. It inclines depositors to think that the claimed efficiency of banks in clearing checks is largely an empty boast. Where advice of non-payment is requested by wire

this should be considered in allotting the float time.

INTEREST NECESSARY?

Can a bank be successful if it doesn't pay interest on any sort of deposits?

THE best answer to this is that it has been done. The following is summarized from a letter written to this department under date of March 21, 1940, by a national bank in Illinois. "We have never paid interest since the bank was organized in 1879 and, although all the other banks in the vicinity have paid interest, we have always

been the largest bank in the county. There is another bank in town and three others in the county and we are only 16 miles on hard paved roads from a much larger city where all the banks pay interest. We understand that two of the other banks in the county, located in the same town, have discontinued the payment of interest from the first of this year. We have never had any savings department, all of our deposits being subject to check." While, as stated, this particular bank has never had a savings department, nevertheless, so long as savings funds are subject to demand withdrawal, the difference between savings and demand deposits is more theoretical than real.

PRINTED FORMS

There are three general types of printed forms—ordinary cut and padded, "snap-out" (multiple copies with one-time carbon), and continuous forms (with or without one-time carbon). What are the relative merits of each and under what circumstances is it advantageous for a bank to use each?

(The following answer was prepared with the cooperation of The Institute of Bank Stationers.)

IT largely depends on the volume of work being performed. Continuous forms will increase the typists' production from 17 per cent to 78 per cent over the regular hand-stuffed forms. This percentage will vary depending on the number of writing lines per form and the number of copies required. With an average six-part form having approximately five writing lines, the saving in the operator's time is about 64 per cent. When considering interleaved carbon forms of any description it is necessary to know whether a heavy or light blow machine is to be used, and whether it has a hard or soft rubber or brass platen and also the condition of that platen. The right kind of paper for the various weights of carbon is also necessary for the best results. Some carbons will show variations depending on whether they are hard or soft, dull or glazed, and whether smooth or coarse paper is used. The "snap-out" with one-time carbon is designed for any type of business machine and remains in perfect alignment even though completed in two or more operations. There is also a fourth type of form known as "spot carbon" that is being used for some operations. The different companies have experts whose services they offer free to banks in order to assist them in the solution of these problems.

NATIONAL BANK OF DETROIT

STATEMENT OF CONDITION, MARCH 26, 1940

RESOURCES

Cash on Hand and Due from Other Banks		\$227,288,359.18
United States Government Obligations, direct and/or fully guaranteed		202,558,595.42
Other Securities		20,745,336.99
Stock in Federal Reserve Bank		772,500.00
Loans:		
Loans and Discounts	\$ 61,971,393.05	
Real Estate Mortgages	13,964,154.21	
Overdrafts	8,287.43	75,943,834.69
Branch Buildings and Leasehold Improvements		823,590.80
Accrued Income Receivable—Net		1,295,295.32
Prepaid Expense		1,152,287.27
Customers' Liability Account of Acceptances and Letters of Credit		1,627,103.31
TOTAL RESOURCES		\$532,206,902.98

LIABILITIES

Deposits:		
Commercial, Bank and Savings	\$446,426,384.47	
U. S. Government	20,219,989.59	
Treasurer, State of Michigan	11,686,836.09	
Other Public Deposits	18,374,697.14	\$496,707,907.29
Capital Account:		
Preferred Stock (368,475 Shares)	9,211,875.00	
Common Stock (825,000 Shares)	8,250,000.00	
Surplus	8,288,125.00	
Undivided Profits	6,242,265.98	
Reserve for Retirement of Preferred Stock	335,529.69	32,327,795.67
Reserves		1,544,096.71
Our Liability Account of Acceptances and Letters of Credit		1,627,103.31
TOTAL LIABILITIES		\$532,206,902.98

United States Government securities carried at \$60,849,499.81 in the foregoing statement are pledged to secure public and trust deposits and for other purposes required by law.

Member Federal Deposit Insurance Corporation

What Makes a Regional Clearinghouse

THE best evidence of the soundness of the regional clearinghouse principle as a means of developing better banking practices and better cooperation among local banking units lies in the results being achieved in those states which have adopted this form of local organization. The proof of the pudding is in the eating, and testimony as to the merits of regionals has piled high. It is probably best reflected by the fact that the movement is rapidly increasing.

A recent survey conducted by the Bank Management Commission of the American Bankers Association indicates that 13 states are now organized 100 per cent into regional clearinghouses, and that at least five others have similar local organizations on a statewide basis performing the same functions under other names.

In our thinking on this subject a great deal of confusion will be avoided if it is kept in mind that there is nothing magic in a name. The appellation given the organization is comparatively unimportant; the vital test is the nature of its functions. Many so-called "county associations", for example, as well as many of the units known as "groups", are being conducted as regional clearinghouse associations. On the other hand, there are undoubtedly some regionals which are such in name only.

EMPHASIS ON BUSINESS

IF the emphasis is placed on *business*, if meetings are held several times a year and are usually closed, if rules of banking practice are adopted, if there is a definite program of objectives from year to year, an organization may be classed as a regional clearinghouse, whether called by that name or not. If, on the other hand, the organization has no definite objectives, if its meetings are of the open, convention type, with programs consisting largely of outside speakers, and the emphasis is on the get-together and banqueting side, it is not doing the work of a clearinghouse and cannot be classed as such.

The Bank Management Commission, in its endeavor to stimulate the organization and operation of regional clearinghouses, has no desire to induce a change in *name* of the local organization units in the various state associations. It is interested only in encouraging the use of the clearinghouse principle.

Most of the state associations are divided into groups. These groups in most cases are large, being composed of

banks in from five to as many as 20 counties. Meetings, fixed as to date by by-laws, are held once or not over twice a year. Outside speakers predominate on the programs; representatives of Reserve city banks, of the press and even of bond houses and insurance firms are invited. The concluding feature is a banquet, preceded by a "social hour". In short, the usual meeting of many groups is simply a small bankers' convention. Such organizations and such meetings undoubtedly have their place

and serve a useful purpose, but they are not performing the functions of a regional clearinghouse association.

Meetings of a regional clearinghouse are conducted much like those of a city clearinghouse or a meeting of the board of directors of a bank. They are informal; they are all business, with the exception of an annual meeting of the banquet type. Discussions are confined to problems and practices which pertain to local conditions. If unanimity of thought is achieved upon any matter of

AT YOUR SERVICE

If you're coming to New England this summer — or have customers who will vacation here — we're at your service to help make the visit thoroughly enjoyable. You may be sure of a warm, personal welcome and prompt attention on any banking matter.



THE NATIONAL Shawmut Bank

40 WATER STREET • BOSTON

Member Federal Deposit Insurance Corporation

...for promoting SMALL LOAN, AUTO FINANCE and other Bank Services

ANIMATED,
THREE-DIMENSIONAL
DISPLAYS FOR BANKS

Pre-selected displays promote different bank services through twenty-four rental units per year at minimum cost and effort. For windows, lobbies or counters.



—(Tear out and mail coupon)—

GARDNER BANK DISPLAY SERVICE
477 Melwood Street, Pittsburgh, Pa.

Please send descriptive literature _____

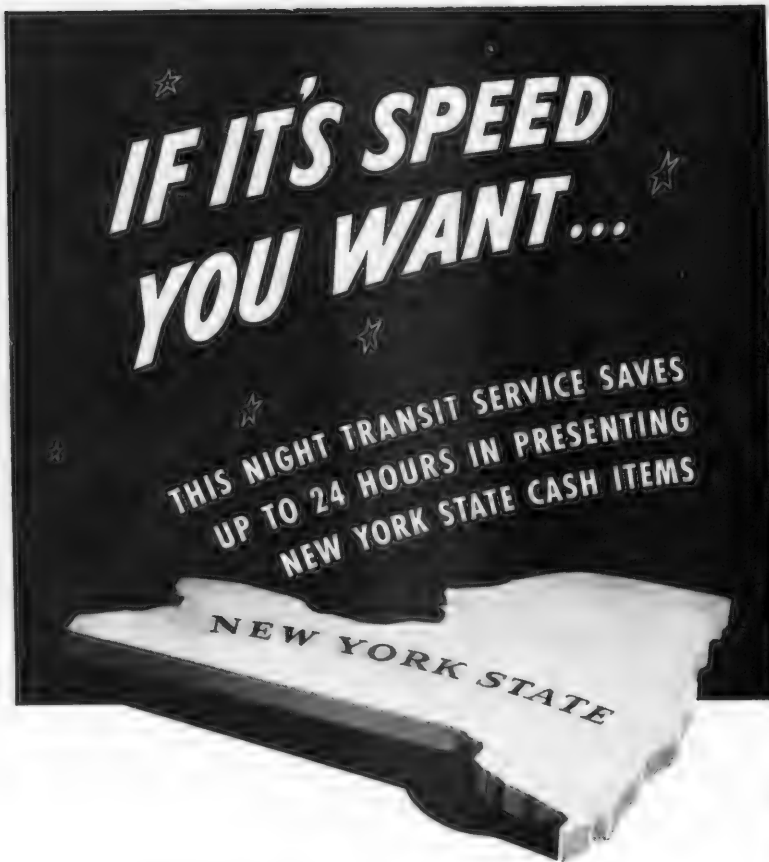
Please have representative call _____

Name _____ Title _____

Bank _____

City _____

GARDNER
BANK DISPLAY SERVICE



● Most banks *do* want speed! Exactly the kind of speed the Marine Trust Company's night transit service gives you.

This fast service enables your bank to save up to 24 hours in presenting cash items throughout New York State. With very few exceptions, items reaching us prior to 12:30 A.M. will be presented the next business day in 58 New York State cities and towns.

Such speed is possible because of the Marine Trust Company's many correspondent banks throughout the state, and its strategic location in the world's greatest market. Send for a copy of our latest Night Transit Schedule.

MARINE TRUST COMPANY OF BUFFALO

A Marine Midland Bank

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

banking practice, it is adopted as a clearinghouse rule. These rules usually deal with such matters as schedules of service charges, opening and closing hours, interest rates on time deposits, the elimination of destructive methods of competition, the defining of true advertising worthy to be used by banks, and the restriction of advertising media used by member banks.

The program of the American Bankers Association, embracing as it does every phase of sound and progressive bank management, public relations and research, is year after year pointing the way for the continuous improvement of the American banking system. The various state associations are adding stimulus by carrying the message to their members and emphasizing its importance. The best method which these state associations can employ in getting their members to study the recommendations of the American Bankers Association, adapt them to local conditions and put them into actual practice is by encouraging the formation of local banker organizations which, regardless of the name by which they are called, employ the clearinghouse principle and technique.

W. A. McDONNELL
Executive Vice-president
Commercial National Bank
Little Rock, Ark.

BANKING TO INSURANCE

On July 1 George L. Harrison, president of the Federal Reserve Bank of New York, becomes president of the New York Life Insurance Company. He has been with the Reserve System since its establishment in 1914



Baby Bonds Grow Up

THE baby bond has grown up to be a man-sized government security.

More than two billion dollars of the savings of two million Americans is now invested in this security and, today, the savings bond is the most widely held single issue in the United States. It is estimated by Treasury Department officials that \$1,008,000,000 will be put out during the present year. Moreover, the Government expects \$1,155,000,000 of the people's savings will go into baby bonds in 1941. If this rate of growth continues, a not inconsiderable part of the Federal debt will be represented by baby bonds before the Treasury is called upon to redeem the first series of these securities.

Inasmuch as the savings bond has been sold on a discount basis, the Federal Treasury is not called upon to pay the accruing interest until the maturity of the bond. It is true that the holder of these bonds may turn them in at any time after 60 days and regain the cash invested. After the bond has been held for more than one year, it is possible to obtain a part of the interest, which has accrued, and so on until the tenth year, when the full obligation matures. Inasmuch as the purchaser runs no risk of losing any part of the principal through market fluctuations and can obtain a yield of 2.9 per cent by holding the baby bond until maturity, it represents, in the opinion of many bankers, the most attractive investment that can be made in government bonds. It is well known that even the largest banks have subscribed for their limit, year after year, because the savings bond offers a higher yield than the longest term government obligation.

BABY BOND HOLDERS

THE legion of holders of baby bonds has grown with amazing rapidity during the past two years. The average denomination of bonds issued is about \$275, but the average holding of the individual investor is about a thousand dollars. Treasury officials state that about 75 to 80 per cent of current transactions are with individuals who have previously bought savings bonds. Up until last December 13, the cash receipts to the Government from the sales of baby bonds were \$2,344,726,113. While the first bonds issued will not mature until 1945, it has been necessary

A new freedom for secretaries!

*and a new help
for busy executives*



DO TOMORROW'S WORK FASTER... AND EASIER!

There's a new lightness of touch in this new L C SMITH... a new speed... an ease of action that reduces fatigue.

New typing aids, too, that increase your efficiency, save energy:

Seven positive touch adjustments, from very light to EXTRA HEAVY... adjust for your own touch. New Automatic Margin Set (one-hand operation to set or clear!), famous Floating Shift... Improved Tabulator... Interchangeable Platens... Half-Spacing!

...in our honest opinion... the easiest-writing, the most economical, the most efficient of office typewriters, this new L C SMITH should be seen and tried by everyone who buys or uses typewriters. It is, indeed, "a secretary's dream come true!"

Free demonstration in your office... phone any branch or dealer.

L C Smith & Corona Typewriters Inc.
Desk 5, 175 Almond St., Syracuse, N.Y.



SECRETARIES: Send for this new edition of "Tips to Typists"... a useful little booklet of time-saving ideas on typing. Free on request.



THE NEW *Super-Speed*
L C SMITH

...makes long jobs shorter... means a new freedom for secretaries

for many of the holders to surrender their bonds to realize cash for unanticipated needs. This percentage has not been large, however, because up until last December the amount paid out for redemptions was only \$242,718,845. By their terms, the baby bonds are redeemable before maturity at the option of owners after 60 days from issue date. They increase in redemption value one year from the date of issue and each six months thereafter. It is interesting to note that of the bonds redeemed, approximately 40 per cent were turned in without increase in value.

Statistics telling the story of what

the experience of the Treasury Department has been in baby bonds were recently given by William S. Broughton, Commissioner of the Public Debt Service. He pointed out that the sale of savings bonds started on March 1, 1935. Between that date and September 30, 1939, bonds having a maturity value of \$2,953,432,675 were sold, the cash receipts therefrom being \$2,215,074,524. During this period, bonds having a maturity value of \$292,580,125 were redeemed, of which \$116,049,475 were redeemed at their issue price of \$87,037,106. Baby bonds having a maturity value of \$176,530,650, with an issue

price of \$132,397,987, were redeemed at their current redemption value, which was only \$4,171,709 more than their issue price.

The significance of all these figures is this: The Government has borrowed \$2,300,000,000 for an out-of-pocket outlay of only \$4,131,000 in interest. While the day of reckoning will come when Uncle Sam will be called upon to pay the interest which has been mounting up, so far the hire of the money has been a mere fraction of 1 per cent.

In reporting to Congress the increase of sales in savings bonds, it was revealed that only about 3 per cent of the 2,000,000 investors were buying up to the \$10,000 annual limit. If all of these investors took full advantage of their investment opportunity, it would be possible to borrow more than 15 billion dollars through the issuance of baby bonds—if Congress lifted the government debt limit.

Most of the sales of the savings bonds have been made through the post offices. The Federal Reserve banks have sold only about 12½ per cent of the savings bonds and it is believed that a substantial part of this represents subscriptions that have been received from banking institutions. The post office sales are over-the-counter for cash, while mail order applications are handled by the Federal Reserve banks and the Treasurer of the United States.

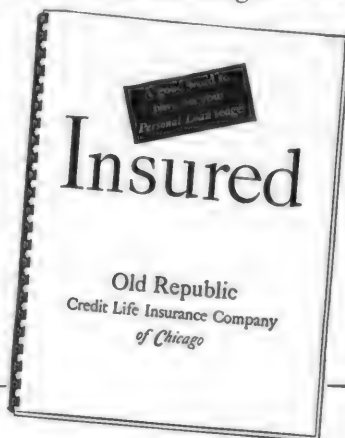
40,000 NEW CUSTOMERS MONTHLY

IT is estimated that 40,000 new customers invest in savings bonds monthly. Incidentally, nearly half of the banks of the country are the owners of baby bonds, while 16,954 corporations and associations have placed funds in this security.

"The extraordinary acceptance of savings bonds must be attributed to advertising," James William Bryan, Chief of the Information Section of the Division of Savings Bonds, told Congress. "The original publicity incident to the offering of savings bonds in March 1935 provided a fair sale of these securities that month. But thereafter sales receded so rapidly as to threaten the success of the entire undertaking. In this situation, resort was had to established and approved sales and merchandising methods. Immediately, national purchases were accelerated, and ever since then the trend of sales has been sharply upward."

REUBEN A. LEWIS, JR.
Executive Vice-president
Metropolitan Trust Company
Chicago

Old Republic's simple, practical plan of insuring personal loans against the death of borrowers is reducing risk and building profits for hundreds of commercial banks in 32 states from New York to California. The plan costs a bank nothing to install and operate. How it works is clearly explained in the portfolio shown at the right. Bank officers are invited to send for a copy without cost or obligation.



Old Republic Credit Life Insurance Company

*The pioneer in
adapting credit life
insurance to the needs
of commercial banks
with personal loan
departments.*

309 WEST JACKSON BOULEVARD • CHICAGO, ILLINOIS

A Junior Advisory Board

A LITTLE over six years ago, Robert G. Merrick, president of the Equitable Trust Company of Baltimore, conceived the idea of creating a "junior advisory board" composed of 12 key employees selected from the various departments and branches of the bank. He felt that such an organization would afford a practical means for employees to share directly in the responsibilities of management and would also assist many employees to develop their latent executive ability.

The board was given the authority to study and make suggestions to the management regarding operating economies, increased efficiency, creation of new advantages for employees, new forms and methods of advertising, improvement of public relations and general new business development. An invaluable accomplishment of the board has also been that of passing on the merits of suggestions received from the entire body of employees, who are constantly encouraged to submit, on written forms, any new ideas they believe will be of benefit to the company. A cash award is paid to any employee whose suggestion is approved and adopted.

THE MEMBERSHIP

THE original membership was selected by the president of the institution. Subsequent to the time of organization, four members have retired every four months, to be replaced by four new men elected by the existing members of the board, great care being taken to select the most promising members of the personnel. Each member serves 12 months and is eligible for reelection four months after his term has expired. The officers are a chairman and a secretary, who are elected by the members of the board for a term of one year. The full membership convenes for a regular meeting once each month.

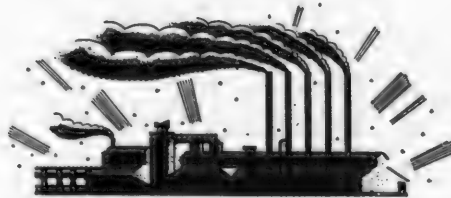
Expectations at the time this group was founded have not gone unrewarded. The accomplishments of the past six years have contributed substantially to the sound growth and progress of the company. Innumerable suggestions submitted by officers and employees have been studied with great care at the board's monthly meetings. More than 30 per cent of all suggestions were adopted and placed in immediate operation, resulting in benefits for employees and in increased efficiency and economy of operation in almost

every department and branch office of the company.

The adopted suggestions included such diversified items as providing special uniform coats for tellers, the establishment of a recreation room for employees, improvement of branch office window displays, the installation of a special signalling device on the main office banking floor, various changes in clerical methods and the development of a friendly method of

handling new customers by getting them acquainted quickly with the officers and employees with whom they will conduct their future banking business.

A monthly publication distributed to all employees, which acquaints the personnel with all important policy and operation changes made by the management as well as personal news items of interest, is now being published under the auspices of the board.



CORRESPONDENT SERVICE FOUNDED ON WIDE EXPERIENCE

During more than half a century of service to Chicago and the midwest The Northern Trust Company has acquired a wide and useful experience. Out-of-town banks are invited to share in this and in the many sources of banking and business information to which this bank has access. The increasing number of correspondent banks who use these facilities for themselves and for their customers is evidence of the convenience and value to be found in a connection here. Your inquiries are welcome.

THE NORTHERN TRUST COMPANY

50 SOUTH LA SALLE STREET, CHICAGO
Member Federal Deposit Insurance Corporation

Banking by Air

AS available means of communication have been speeded up, bankers have always been in the van in making use of them. The air services have provided an important vehicle for rapid banking not only between the bank and its correspondent situated on some direct air route, but also to other points at home and abroad.

As may be expected, not all banks use the air services equally. Some, by the nature of their business, by their

location or for other reasons, make little use of the air mail, air express or air travel to hasten transactions. Others use the airplane at every opportunity.

In the absence of statistics on the subject and to learn how and why bankers are using the air services today, BANKING sent a brief questionnaire to 200 of the country's largest banks. The results of the survey are described below.

The questionnaire sent out by BANKING asked:

To what extent does your bank use air services?

For collections?

For travel?

For other purposes?

In your advertising and promotional work do you mention the use of air service as a selling point?

Of the 132 answering banks, 125 use air mail or air express. Only about one-fourth of these 125 indicated a merely occasional use of air facilities.

Among the reported purposes for which banks use air mail and air express, collections and transit items are the most frequently mentioned.

FIRST, TIME SAVING

BECAUSE of the general form of the questions, the answers are not classifiable with much precision. They are sufficiently clear, however, to indicate that the saving of time is the principal motivation. Some banks use the air mail automatically whenever the distance involved exceeds a certain maximum. Most banks apparently have an additional criterion in deciding when to use the air mail for collections or transit items, namely, the size of the item. A few report using the air mail only when requested.

One bank sends all cash items of \$500 and larger by air, as well as all items west of the Rockies and all "special items".

Another bank enumerates as air items, among other things, documentary shipments when goods may arrive before draft as well as items received close to due date.

Another says: "Collecting agents at more than one day's distance are requested to send advices by air mail."

An eastern bank states: "For years we have used the air mail quite extensively and, for a long while, it enabled us to collect checks more quickly than we could have if they had been sent through the Federal Reserve banks," and adds: "The results have been extremely satisfactory."

Some midwestern banks use air service for collections once a week, to clear their Friday New York items on Saturday. An Ohio bank sends all brokers' collections by air. Of air mail use for transit items and transit checks, a Michigan bank says: "This arrangement not only provides earlier credit, but also substantially speeds up determination of payment and return of un-

LOOKING BACKWARD... AND FORWARD... AT NINETY-FIVE

ON MAY 17, this bank becomes ninety-five years of age. ♦ As we glance backward into the history of those years, we see a picture of steady progress, governed by sound banking practices. ♦ And now, as we look forward into the future, we are confident that National City's progressive commercial banking policy, which meets adequately the needs of business, will continue to play a major role in the further growth of this great Cleveland Industrial Region.

THE NATIONAL CITY BANK OF CLEVELAND



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

paid items. . . . This phase of transit service is of utmost importance to bank customers."

Several of the replies touched on the use of transoceanic air services, and from them the following comments are excerpted.

From a New England bank: "We use the Transatlantic Clipper regularly since the outbreak of war in sending checks and advices to customers in Europe. We also use the air mail to Latin American points."

A New York City bank reports that it uses air mail "constantly to South American points." Another advises: "We send a large part of our collections on European points by air mail." A third large bank reports: "Foreign air mail items amounted to 11,823 pieces in 1939." A fourth New York bank states: "Air service to foreign countries is used to a greater extent [than domestic] on collections."

A Pittsburgh bank says: "South American transactions are usually routed by air. Also European items requiring speedy dispatch." A Cincinnati bank uses air service "for the majority of remittances to foreign countries."

TRAVEL BY AIR

THE responses indicate that, among the country's large banks, about three-quarters make use of the airplane for domestic travel by officers. Failure to use air travel is, in some instances, due to a lack of air-travel facilities, in others, to the lack of necessity because of the relatively limited range of the bank's activity, and in some cases to the personal preferences of the officers.

About 30 per cent of the banks returning the questionnaire use the airplane frequently for domestic air travel, and 45 per cent report some use of air transportation. Among the frequent users, several indicated considerable enthusiasm for air travel. Thus, one bank reported: "Practically all of our officers and field men are now using air travel wherever possible to save time and money."

Another states that its "president travels by air whenever he can."

A large New York bank reports: "215 airplane trips during 1939." A southern bank reports that 80 per cent of its officers' travel is by air.

As one moves westward, where the distances between cities are greater, one encounters more enthusiasm on the part of air travelers. A southwestern bank reports travel by air "as much as possible." Another advises that its senior officers travel extensively by air.

A mountain state bank reports that

some of its officers travel by air because air travel in certain directions, where train service is slow, is about as cheap as car and train service. A Pacific Coast bank reports its officer air travel increasing.

There seem to be distinct differences of opinion among bankers as to the advertising value of banking by air.

Of the 132 banks which replied to this question, 51 mention the use of air services in their advertising and other promotional efforts. The attitude of the others is probably typified by the bank which observed: "Air service has become so commonplace with us that

our customers would probably expect this condition to exist without special notice."

In certain other sections of the country, a larger proportion of bankers regard the use of the airplane as worth telling their customers about. In the north central regions, 15 out of 34 reporting banks talk about their use of the airplane for business. In the south Atlantic and south central regions, 21 out of 35 reporting banks made similar acknowledgment, and on the Pacific Coast, 6 out of 13 report such advertising.

HERBERT M. BRATTER

Long-Term Relationships

Four American banks have been correspondents of this institution continuously for more than 75 years;

159 for more than 50 years;

425 for more than 40 years.

Business relationships of such long standing must have been mutually beneficial.

CENTRAL HANOVER BANK AND TRUST COMPANY

NEW YORK



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The World's Largest Banks

THE Federal Reserve Bank of New York is the largest bank in the English-speaking world, according to *The Deposit Liabilities of One Hundred and Fifty of the Largest American, British, Colonial and Dominion Banks*, a brochure annually compiled and just released in its 14th edition by California

Bank, Los Angeles. The New York Reserve Bank's deposits were at a new year-end high of \$6,760,861,000 last December 31.

The Chase National Bank, New York, with deposits of \$2,803,730,326 is second, followed by the National City Bank of New York, \$2,331,257,944, The

Guaranty Trust Company of New York, \$2,088,427,346, and Midland Bank Ltd. of London, with deposits of \$1,965,854,034.

The remainder of the first 40 banks on the list are:

6. Barclays Bank Ltd., London	\$1,822,844,103
7. Lloyds Bank Ltd., London	1,717,531,712
8. Federal Reserve Bank, Chicago	1,654,212,604
9. Bank of America, N. T. & S. A., San Francisco	1,482,791,676
10. Westminster Bank Ltd., London	1,451,712,301
11. National Provincial Bank Ltd., London	1,332,220,093
12. Continental Illinois National Bank & Trust Co., Chicago	1,324,094,604
13. Bankers Trust Company, New York	1,125,410,058
14. Central Hanover Bank & Trust Co., New York	1,106,736,120
15. First National Bank, Chicago	1,053,424,363
16. Federal Reserve Bank, Cleveland	839,402,030
17. Bank of Montreal, Montreal	801,086,024
18. Royal Bank of Canada, Montreal	764,853,445
19. Manufacturers Trust Co., New York	762,763,244
20. Bank of England, London	748,996,771
21. First National Bank, Boston	739,025,407
22. Chemical Bank & Trust Company, New York	737,104,292
23. Federal Reserve Bank, Philadelphia	719,877,030
24. Irving Trust Company, New York	695,235,227
25. Federal Reserve Bank, Boston	658,263,322
26. Federal Reserve Bank, San Francisco	651,699,175
27. First National Bank, New York	628,945,806
28. J. P. Morgan & Co. (incl. Drexel & Co., Philadelphia), New York	619,512,617
29. Bank of the Manhattan Co., New York	609,781,240
30. Security-First National Bank, Los Angeles	580,438,058
31. Canadian Bank of Commerce, Toronto	570,072,889
32. Philadelphia National Bank, Philadelphia	564,345,441
33. National Bank of Detroit, Detroit	462,313,299
34. Martins Bank Ltd., Liverpool	437,399,989
35. Co-operative Wholesale Society Ltd., Manchester	427,113,906
36. Barclays Bank (Dominion, Colonial & Overseas), London	420,687,238
37. New York Trust Company, New York	419,605,587
38. Northern Trust Company, Chicago	369,946,356
39. Cleveland Trust Company, Cleveland	368,129,231
40. Mellon National Bank, Pittsburgh	361,713,665

The combined total deposits of \$63,140,511,202 for all banks in the brochure exceeds, by almost 10 per cent, the former all-time peak of \$57,484,604,686 in the 1939 issue, and by 88 per cent the depression low point of \$33,523,082,172 in the 1933 issue.

In the ten year period since the January 1, 1930, issue the 150 largest commercial banks throughout the United States and Great Britain have gained over \$20,000,000,000 and the average deposits per bank have increased from \$282,000,000 to \$421,000,000. The January 1, 1930, issue listed nine banks with deposits over \$1,000,000,000 each and 109 with deposits over \$100,000,000 each; the current issue shows 15 banks with deposits over \$1,000,000,000 each and 139, or 93 per cent, with deposits exceeding \$100,000,000 each.

Ninety-eight of the 150 banks, with deposits of \$43,851,218,817, are American. They are found in twenty-two

The Baltimore & Ohio Railroad Co.

Summary of Annual Report for the Year 1939

The Company's annual report of its operations and affairs for the Year 1939 is being mailed to stockholders. The following presents a

CONDENSED COMPARATIVE STATEMENT OF OPERATING RESULTS

	1939	1938	Increase 1939 Over 1938	
			Amount	%
Total Railway Operating Revenues..	\$161,030,252	\$134,722,330	\$26,307,922	19.53
Total Railway Operating Expenses..	119,901,075	104,984,021	14,917,054	14.21
Net Railway Operating Revenue...	\$ 41,129,177	\$ 29,738,309	\$11,390,868	38.30
Railway Tax Accruals.....	\$ 10,767,991	\$ 10,412,774	\$ 355,217	3.41
Equipment and Joint Facility Rents.	4,836,086	4,473,741	362,345	8.10
Net Railway Operating Income...	\$ 25,525,100	\$ 14,851,794	\$10,673,306	71.87
Income from Investments, etc. (Net).	4,647,564	4,207,959	439,605	10.45
Income available for Fixed Charges..	\$ 30,172,664	\$ 19,059,753	\$11,112,911	58.31
Interest and other charges remaining Fixed under the Plan (referred to below).....	20,421,656	32,184,283		
Income Available for Other Purposes \$	9,751,008			
Other Interest Accrued but not paid— Secured Contingent Interest.....	\$ 7,111,820			
Unsecured Contingent Interest....	4,261,395			
Total Contingent Interest Accrued..	\$ 11,373,215			
Net amount by which total interest charges were not earned.....	\$ 1,622,207	\$ 13,124,530		

Net Income Available for Interest and Other Charges for 1939 is \$30,172,664, compared with \$19,059,753 for 1938, an increase of \$11,112,911 or 58.31 per cent., and shows income for the year only \$1,622,207 short of covering entire interest charges. From the Net Income Available there was deducted \$20,421,656 for interest and other charges remaining fixed under the Plan, leaving Available Net Income for other purposes of \$9,751,008.

Pursuant to the provisions of the Plan, the President and Board of Directors, in the exercise of the discretion vested in them, determined to apply \$2,000,000 of the Available Net Income to Capital Fund, and the remaining \$7,751,008 to increase Net Working Capital. By reason of these appropriations, no contingent interest is payable on May 1, 1940, out of the income of 1939.

The contingent interest accrued in 1939 and not paid is \$11,373,215, and that for 1938 \$883,337, a total of \$12,256,552, which is carried to Deferred Liabilities in the balance sheet.

The Plan herein referred to is that for the Modification of Interest Charges and Maturities, dated August 15, 1938, which, after being accepted by the holders of \$476,489,928, or 87.79 per cent. of the \$542,810,628 of securities affected, was submitted to and, after hearing, was approved by the District Court of the United States for the District of Maryland on November 8, 1939, acting under Chapter XV of the Bankruptcy Act, entitled "Railroad Adjustments."

Under the Plan \$166,270,421 of near-by maturities were extended for a period of from five to ten years, and fixed interest charges of the Company and its subsidiaries, which had been \$31,421,742, were modified so that \$19,644,679 remains fixed and the payment of \$11,376,435, for the period of eight years, becomes contingent on earnings as ascertained and applicable pursuant to the Plan. The deferred charges continue as an obligation of the Company and are payable at or before the maturity of the respective obligations.

During 1939 the total interest-bearing obligations of the Company were reduced by \$6,654,249, largely through the payment of equipment trust certificates.

DANIEL WILLARD, President.

states and the District of Columbia. Twenty-three are in New York, 12 in Pennsylvania, 11 in California, seven each in Missouri and Ohio, and six each in Illinois and Massachusetts. New York City, with 20 banks totaling \$21,-857,587,091 in deposits, leads the American cities, followed by Philadelphia and San Francisco with seven banks each, Boston and Chicago with six each, Pittsburgh with five and Cleveland, Los Angeles and St. Louis with four each.

A study of the history of these 150 large banks reveals that 113, or 75 per cent, are 50 years of age or over, and of these, 43 banks (28 British and 15 American) are over 100 years of age. The oldest bank in the list is the British bank, Coutts & Company, founded in 1692—almost a century before the founding in 1784 of the Bank of New York, the oldest American bank.

Five banks included this year were not listed in California Bank's 1939 brochure: Wilmington Trust Company, Wilmington; Brown Brothers Harri- man & Co., New York; First National Bank, Cincinnati; Republic National Bank, Dallas; and Second National Bank, Boston.

The deposits of American banks are as of December 31, 1939, and of the other banks from latest statements available. Foreign currencies are converted at the exchange rates prevailing at December 31, 1939. The list does not include the deposits of purely savings institutions.

FDIC's Biggest Transaction

On April 8, 1940, the FDIC dis- bursed approximately \$23,575,000 to protect depositors of First Trust and Deposit Co. of Syracuse, N. Y., and the Baldwinsville State Bank through a merger of the two institutions. This is the largest transaction of the FDIC's 7-year life. Concerning it, New York's senior Senator, Robert F. Wagner, Chairman of the Senate Banking and Currency Committee, interrupted the Senate's business to mark the occasion.

"It is comforting to note that under the policy pursued by the Federal De- posit Insurance Corporation the people in these communities were not sub-

jected to the economic blight which would flow from the closing of a large bank," he said. "The Federal Deposit Insurance Corporation does not wait until a bank becomes hopelessly in- solvent before taking steps to correct its downward trend. It has been its policy to arrest these trends, and re- habilitate banks in appropriate circum- stances, and prevent ultimate insolv- ency. The rehabilitation plan effected by the Federal Deposit Insurance Corporation at Syracuse is another striking example of the efficiency of this Corporation in preventing the con- tinued operation of weak banks."

Reciprocal Deposits

Complaints that reciprocal deposits give the public a deceptive impression of the cash position of banks are receiv- ing the attention of the Comptroller of the Currency, but no change in existing law is expected at this time. Prior to 1921 such deposits were separately re- ported. Now they are included in the item "cash and due from banks". Since the FDIC, the Federal Reserve Board and the Comptroller of the Currency use similar bank examination forms, any change in present practice would require agreement among all three of these agencies.

R. G. RANKIN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

Examinations
of
Banks and Trust Companies
for
Directors Committees

CHICAGO

NEW YORK

WASHINGTON

Out-of-Town Banks

Out-of-town banks and bankers will find here complete banking facilities for prompt and economical handling of accounts in Chicago. We would appreciate the opportunity of serving you.

CITY NATIONAL BANK
AND TRUST COMPANY of Chicago

208 SOUTH LASALLE STREET

(Member Federal Deposit Insurance Corporation)

Well informed directors are pillars of strength. BANKING has a group subscrip- tion plan, by means of which your bank can supply this magazine to members of your board. The cost is negligible.



..... your special requirements

Banks who have established correspondent relationships with us find our complete transit, collection, credit and investment facilities satisfactory in every way. Beyond this, they appreciate the direct and interested attention given by our executives to their special requirements.

An account with the American National will bring you helpful representation in the important Chicago area.

AMERICAN NATIONAL BANK AND TRUST COMPANY

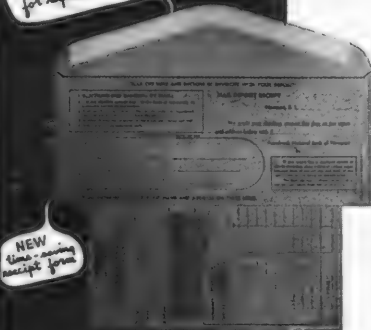
of Chicago

LA SALLE STREET AT WASHINGTON

Member Federal Deposit Insurance Corporation

A GOOD WAY TO GET NEW CUSTOMERS

This style flap meets P.O. requirements for registered mail



NEW time-saving receipt form

Standard ABA-Size Deposit Slip

THESE ENVELOPES ARE AVAILABLE IN FOUR SIZES: STANDARD, STANDARD WINDOW, ENVELOPES

CURTIS 1000 INC.
1000 WASHINGTON ST., HARTFORD, CONN.
1000 WASHINGTON ST., ST. PAUL, MINN.
1000 WASHINGTON ST., CLEVELAND, O.
(Write nearest plant)

Name

Bank

Address

You may not want increased deposits right at the present time but you do want to make MORE LOANS, rent more SAFETY DEPOSIT BOXES, and encourage more people to use your TRUST DEPARTMENT services.

Many banks have found that the distribution of Curtis BANK-BY-MAIL ENVELOPES to a select list of prospects has opened up scores of profitable new accounts.

WHY NOT SEND A FEW OF THESE ENVELOPES TO EXECUTIVES, SCHOOL TEACHERS, FACTORY WORKERS, FILLING STATION OPERATORS AND OTHERS WHO ARE LOCATED IN SUBURBAN AREAS? IT WILL MEAN EXTRA PROFITS FOR YOUR BANK.

Clip the Coupon and Mail Today!

Gentlemen:

Send us samples of your Bank-by-Mail Envelopes which we understand have standard size deposit slips (also larger or smaller if desired) and a new time-saving receipt form.

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BANKING'S Digest of Speeches and Comment

THE cooperative peace of the Western Hemisphere was not created by wishing; and it will require more than words to maintain it. In this association of nations, whoever touches any one of us touches all of us. We have only asked that the world go with us in the path of peace. But we shall be able to keep that way open only if we are prepared to meet force with force if the challenge is ever made.—President ROOSEVELT.

I CONSIDER that Hitler's action in invading Norway and Scandinavia is as great a strategic and political blunder as that committed by Napoleon when he invaded Spain. He almost doubled the efficiency of the Allied blockade.

We probably have arrived now at the first crunch of war, but we find no reason in what just happened, and still less in our own hearts, to deter us from entering further trials that may lie before us.—WINSTON CHURCHILL.

AMERICAN industry is not a thing apart from the American people, but our common source of livelihood. When we help American industry, we help ourselves, and when we hurt it, we hurt ourselves.

The business man of the present day is not concerned primarily and alone with obtaining the greatest volume of production for the greatest gain, but also in the economic, social and spiritual betterment which will accrue to all classes and all groups.—EDWARD R. STETTINIUS, JR., Chairman, United States Steel Corporation.

YOU have one country today that has a preponderance of battleships, and that country controls the sea. You have another country which has a preponderance of submarines and aircraft, and it is a totally blockaded country. Now the point is that the United States wants to be in the position of England on the seas and not in the position of Germany.—Rear Admiral S. M. ROBINSON, Chief of the Navy's Construction Bureau.

I FEEL that public opinion will force a decent level of [pension] payments to be made regardless of State lines. Regardless of any abstract theory, I can find no justifiable basis for any law which results in a "dime a day" Federal pension to citizens who live in certain States, and Federal benefits of \$20 a month to other United States citizens who happen to live in more prosperous States. They are all American citizens.

Unless this present gross injustice to so many of our aged citizens is corrected, we may anticipate increasing pressure for pensions entirely on a Federal basis, and abandonment of the present Federal-State plant of public assistance. This pressure would seem to me justifiable and right if such change in system is the only possibility of securing a decent, universal level for public-assistance payments to the aged. This situation must be corrected.—PAUL V. McNUTT, Federal Security Administrator.

I WOULD like to see a properly placed, properly protected first mortgage on improved real estate recognized as a safe and favorite form of investment for savings and trust funds generally. Conservative investments should only bear low interest rates and, while investors and savers want a fair return, they are more interested in the safety of their investments.—JESSE H. JONES, Federal Loan Administrator.

It is a truism now to say that if we don't end the war the war will end us.—H. G. WELLS.

I TREMBLE to think what would have happened if Germany had attacked at the start because we did not have much of an army then. Thank goodness, Hitler did miss the bus. He did not take the opportunity which was the one we feared more than anything.—General Sir EDMUND IRONSIDE, Chief of the British Imperial General Staff.

ONE cannot demand of mothers that they uninterruptedly give the nation children without man bringing his blood sacrifice. Therefore war is not the wrath of God, but a blessing of God.—ROBERT LEY, head of the German Labor Front.

HENCEFORTH industry will decline to "turn the other cheek." It will meet unjustified attacks with undeniable facts, always courteously but none the less militantly and decisively.—H. W. PRENTIS, JR., President, National Association of Manufacturers.

IT is a peculiar fact in many banks that the management knows more about other people's business than they do about their own. They will spend a considerable amount of money on research and statistics for the note credit files and bond portfolio but practically nothing on their own operations. They content themselves with periodically comparing the operations of their bank with competitor institutions within their territory, and then pat themselves on the back if they happen to show up better.

Sounder banks can come only through the management of each knowing the exact conditions in their particular institutions and controlling their affairs without regard to what others may or may not do.—E. S. WOOLLEY, Economist of the George S. May Business Foundation.

BY its sinister rumors the Government has created a government-made depression. The economic suffering of the American people today is not the fault of industry; it is primarily the fault of government. We shall not provide jobs for the workers of America, new products for the consumers of America and new expanding industries for the investors of America until the dark legend against American business is destroyed.—WENDELL WILLKIE, Chairman, Commonwealth and Southern Corporation.

IT seems to me that it should be crystal clear by this time that pump priming, as a means of restoring prosperity, is a failure. Certainly to date the devaluation of the dollar, the accumulation of one-half the world's monetary gold supply in an amount in excess of 18 billions, purchase of huge quantities of silver, plus the existence of nearly six billions of excess bank reserves, has not had much success in restoring the predepression price level.

Nor do I think that it will so long as there is a continuation of the present governmental policies towards industry, particularly in the field of taxation, financial control, labor legislation, and government competition.—Dr. CLAUDE L. BENNER, Vice-president, Continental American Life Insurance Company, Wilmington, Del.

Thoughts on Consumer Credit

Here are excerpts from some of the addresses at the SECOND ANNUAL CONFERENCE of the BANKERS ASSOCIATION FOR CONSUMER CREDIT, held at White Sulphur Springs, West Va.

A Factor in Public Relations

ROBERT M. HANES, President, American Bankers Association.

IF consumer credit departments are properly operated, they can become important factors in the public relations of banks.

But of even greater importance, they mean that people who are not now customers of commercial banks will be attracted by this service and in the natural course of events will become prospects and customers for other banking facilities. They will serve to open up larger areas wherein commercial banks can effectively demonstrate their usefulness in the social and economic life of the country.

Think of the Banks, Too

WALTER B. FRENCH, Deputy Manager, Consumer Credit Department, A.B.A.

I WONDER whether the tempo isn't getting just a little too fast. Let's not make the mistake of trying to wrap the business up in fancy packages to get the public to buy whether they want to or not. If we get into this kind of merchandising after only a few years in the business, it won't be long before we'll be giving away two pairs of pants with every \$100 loan.

In developing this business, let us think of our banks and the banking business as well as our consumer credit department. We can do a good job for both.

The banks of the country are engaged now in building up a consumer credit volume that will wield a tremendous influence on the economic life of our country. This influence can be directed so that it is either a decided benefit to society, or, if we are not careful, develop into a Frankenstein that will haunt us for the rest of our lives.

Rate Quotation

M. S. SZYMCAK, member of the Board of Governors, Federal Reserve System.

THE problem of the quotation of rates on consumer credit was called sharply to everyone's attention last December when the Federal Trade Commission forbade the use of the expression "6 per cent" in connection with automobile instalment payment plans which the Commission found to entail an interest rate of nearly 12 per cent. For banks, too, I understand, the effective rate may be nearly 12 per cent on consumer instalment paper in general. But this is not the rate quoted. It may be pretty hard to make a borrower feel satisfied to pay 12 per cent; and on the other hand he should not be misled as to the amount of his interest obligation.

At a time when banks are realizing more and more the importance of good public relations, it is highly essential that grounds for misunderstanding and resentment be avoided in the matter of the cost of instalment credit to the borrower. The situation is a delicate one. A balance must

be struck between the relatively high cost of providing such credit and the ability of the consumer to pay a high cost—between the desirability of a simple quotation of the cost of such credit and the desirability of avoiding misrepresentation.

Bankers who work out a solution of this difficulty have the opportunity to perform a great public service and to gain greatly in the good-will of a very large portion of the public not otherwise used to dealing with banks.

A Time to Stand Firmly

WILLIAM W. MCCARTHY, Vice-president, National Shawmut Bank, Boston.

WE would do well to remember that the figure for automobile credit is one that has already undergone considerable expansion. Therefore, we would be wise to hold steady now, particularly as the best course is to restrict instalment credit in good times so as to enter any recession with a sound portfolio.

So let us remember that already the consumer debt for automobiles alone amounts to over \$1,000,000,000 after a considerable expansion of the controllable factors. This is the time when we need to stand firmly against any buying spree which might turn out to be of loss to the public and ourselves at a later date.

A Financial Assistant

WILLIAM F. KELLY, Assistant Vice-president, The Pennsylvania Company, Philadelphia.

A BANK operation created for the purpose of discounting motor paper for dealers must be built on a foundation designed to fulfill the essential requirement for success in this field—service to the dealer and purchaser.

The interests of the dealer must first be served because he is your customer and the purchase is, at the outset, the dealer's customer. Care must be taken to insure that, in serving the dealer, your policies are fair to the purchaser. When a bank chooses this method of operation it should realize that it is entering into direct competition with the finance company and is in the finance business, which is a highly specialized field.

The successful finance company knows the dealer's needs and is set up to perform the function of a financial assistant to the retail automobile industry.

A Farm Equipment Plan

FRANK W. JENKS, International Harvester Company.

THE income purchase plan [for farm equipment] has accomplished wonderful results. It has greatly shortened the payment period, and instalment payments have been met at maturity date on a larger percentage of sales than was the case in the old days.

Many payments are made by mail with the minimum of collection effort. Instead of renewing and extending after maturity, proper income terms are arranged at the time of sale with standard down payments of 20 to 33½ per cent for good and average farming communities.

The Little Red Riding Hoods

ORVAL W. ADAMS, Executive Vice-president, Utah State National Bank, Salt Lake City, and former President, American Bankers Association, before the PACIFIC NORTHWEST BANKING CONFERENCE.

THE well-being and destiny of all peoples centers in the preservation and perpetuation of national solvency. This problem transcends in importance parties, politics and partisanship.

IT ought to be burned into the consciousness of every citizen that the first line of defense in a free country is a balanced budget.

WE are the Little Red Ridinghoods bringing our hard-earned substance to our dear old Government Grandma, who turns out to be a hungry wolf that devours not only our substance but threatens our very lives and fortunes.

LET us dismiss any gay optimism clearly intended to charm and disarm us. The time calls for action—speedy action, intelligent action, determined action. It calls for organized action, while action is still possible; before we, too, are robbed of our weapons; before we lockstep under the whip of a despotic government that may continue to sing mock praises to a defunct Constitution.

What to do? We must map out our course. We must select a few fundamentals upon which to rebuild. What are they? They may be stated briefly:

1. Reestablish the abandoned control of the budget under an official whose term of office shall be for 10 years; who shall be authorized to check all requisitions from any and all sources, for moneys to be paid out of the public treasury, confining all such disbursements to those specifically authorized and approved by Congress, and in such amounts, in such manner and for such purposes as Congress has specifically stipulated.

2. Strip all Federal agencies, irrespective of name or description, of the power to create obligations for any purpose or under any circumstances, except by direct Congressional sanction.

3. Call upon Congress to function as the one exclusive authority to contract public indebtedness—the only one authorized to determine what money is needed to meet the current expenses of government and to anticipate future obligations; to be the only borrowing or bonding Federal agency, as prescribed by the Constitution.

4. Change the bookkeeping system of the United States and all its subdivisions so that it will be complete, intelligible, honest; so that it will reveal, and not conceal, our actual financial condition.

5. Make government withdraw from the competitive field against its own tax-paying citizens; to continue to regulate and supervise, justly and constructively, but not to participate in the manifold affairs and transactions of business.

6. Restore to the states their once proud position as independent commonwealths, supporting their own enterprises, providing for their own worthy ones in need, and remaining safely within their own income.

7. Create a tax-conscious electorate. Not until the self-reliant army of America's best citizens—those earning \$5,000 per year and less, and holding voting control—are taxed to meet the expenses of a spendthrift government, will the survival of our free country be assured. Hasten the time when this tax-conscious group will come into being and take their position around the national treasury with bayonets fixed.

That this government is worth saving, all decent citizens will admit. To save it, all must pay for its preservation.

Those who are not assessed to perpetuate it are not conscious of its priceless worth.

8. Take and keep all relief out of politics.

The crying need for the restoration of all these keys to honest, solvent and humanitarian government seems so obvious as to require neither comment nor defense.

Gold After the War

WALTER LICHTENSTEIN, Vice-president, First National Bank of Chicago, before the PACIFIC NORTHWEST BANKING CONFERENCE.

WINTHROP W. ALDRICH, at the beginning of the year in his annual report to the stockholders of the Chase National Bank of New York, proposed that this country permit again the private and free circulation of gold.

I have considerable sympathy with Mr. Aldrich's suggestion, though I doubt whether it would solve any fundamental problem. It would undoubtedly make it more difficult for the Government to tinker further with the gold content of the dollar, for while theoretically the Government could again call in all the gold in private hands, as it did in 1933, nevertheless, except in a time of great crisis, it is not politically feasible for the Government to take such action. Thus the circulation of gold would imply a more or less permanent stabilization of the value of the dollar in terms of gold and undoubtedly would restore a certain amount of confidence in the permanent value of our currency. But I doubt whether it would have much effect upon our excess reserves,

for the amount of gold withdrawn would probably not amount to more than 500 million dollars, if that much.

Furthermore, if Mr. Aldrich's plan were adopted, it would deprive us of a weapon which we might desire to have after the war is over. There is some possibility that when peace comes, the present belligerents would seek by every means possible to regain foreign markets and in order to do so they might engage in a race of devaluation.

They would do this the more readily if we were not in a position, by taking like steps, to counteract their efforts. It may be necessary on the conclusion of the war for the three leading commercial nations, namely the French, the British and the American, to revise and extend the scope of the present tripartite agreement to the end that *pari passu* each of these nations stabilize or possibly increase the present gold content of its unit of currency. The purpose of this would be to reduce the profit in gold mining which has resulted in an undue annual production of gold. If a step such as I have outlined were taken by the three nations in question at the same time, then the danger of further dislocating world trade would be minimized, if not removed.

Profitable Safe Deposit Boxes

JOHN J. DRISCOLL, JR., C.P.A., Driscoll, Millett & Company, Bank Analysts, before the NEW YORK STATE SAFE DEPOSIT ASSOCIATION.

VERY few safe deposit departments operate at a profit, many operate at a not very serious loss and a number reflect really serious operating losses. For this reason, we have frequently said that a safe deposit department that breaks even or better is doing an exceptional job.

The factors contributing to this condition, to our minds, are the overbuilding of departments making available considerably more equipment and service than are being utilized, and the establishment of rates that will not cover the cost of the service rendered.

Here are some facts regarding rentals of 51 departments throughout the East.

Boxes available	76,780
Boxes rented	48,412
Percentage of boxes rented	57%

The rates of rental in these departments may be summarized as follows:

RATE	BOXES RENTED	% OF BOXES RENTED
\$2.00	982	2.0%
2.50	1,657	3.4%
3.00	6,793	14.0%
3.50	119	.2%
4.00	2,506	5.2%
4.50	98	.2%
5.00	28,350	58.6%
Over \$5.00	7,907	16.4%
	48,412	100.0%

It is interesting to note that 58.6 per cent of these boxes were rented at \$5 as compared to 25 per cent rented at a rate lower.

In 26 of these 51 departments, we have available detailed operating and cost figures. These departments reflected the following combined figures:

Rentals received	\$154,727.04
Expenses	193,952.89
Net Loss	\$ 39,225.85

The average net income per rented box was \$5.67, the expense was \$7.11 and the net loss was \$1.44.

6 departments had a profit of	\$12,468.24
20 departments had a loss of	51,694.09
leaving a net loss of	\$39,225.85

Further refinement of the cost of operating these departments into the cost of maintaining a box and the cost of servicing an entry reflects the following:

The cost of maintaining a box was arrived at by dividing the total maintenance cost by the number of boxes available whether rented or vacant. This element of cost varied from .91 per box per year to \$6.27 and an arithmetical average of \$2.23 per box per year was shown.

The cost of servicing an entry varied from \$.24 to \$1.67. Combining these costs in the 26 departments and treating it as one department results in an entry cost of .414. There was an average of 8.4 entries per rented box per year or a total average entry cost of \$3.48. Hence, the following average cost per rented box per year results.

Cost of maintaining a box	\$2.23
Cost of entry service	3.48
Average annual cost	\$5.71

However, to recover the entire cost, the maintenance cost of unrented boxes would have to be absorbed by the rented boxes and this would increase the above average cost by another \$1.50 per year.

Should a charge be made for excess entries over a minimum number allowed for the basic rent? Or should a basic rent be set and then a charge made for each entry? Such a procedure does not appear to us to be unsound or unreasonable.

Your present plan of stating a basic rental and then permitting unlimited access at no additional charge is comparable to the situation we found ourselves in when service charges were originally instituted on small checking accounts. A service charge of 50 cents or \$1 per month was made against accounts whose balances fell below a stated figure; but once having paid this charge, the customer was free to draw and deposit as many items as he wished with no additional charge. This has been changed and the charge now applied bears a direct relation to the number of checks handled for the customer. Isn't it reasonable to think of applying the same principles to safe deposit operations?

The Outlook for Interest Rates

Dr. CYRIL F. JAMES, Vice-Chancellor, McGill University, before the FIFTH FEDERAL RESERVE DISTRICT BOND CONFERENCE at Richmond, Va.

CAREFUL consideration seems to suggest that no substantial increase in interest rates is liable to occur within the American money market during the immediate future.

It is only fair, however, to add a qualification to this prophecy since all attempts at prediction are notoriously dangerous nowadays.

If the United States should enter the war, or even if without actually entering the war it should at any time amend the existing legislation in such a way as to permit belligerent powers to obtain commodities within the United States by

means of loans or credits, it is obvious that business expansion would vastly exceed anything that I have envisaged. Neither eventuality appears immediately probable.

As you all know money turns over much less rapidly today than it did prior to 1929, and the reasons for this change are legion. If and when business activity improves to a point approaching maximum utilization of labour and plant capacity, we may expect a substantial increase in the average velocity of bank deposits. Such an increase would undoubtedly raise prices and multiply the prospects for profit, so that interest rates might be expected to advance rapidly as they have in all previous inflationary periods.

However, I do not expect any such development in the next few months.



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THERE is a greater evolution going on in the commercial banking field today than in any industrial fields except manufacturing of airplanes and manufacturing of chemical products.
—ROY A. FOULKE, Dun & Bradstreet, Inc.

I WISH the Senate could have some regard for the taxpayers and the credit of the United States.—Representative JOHN TABER of New York.

As to what's going to happen in the future—like Barkis, I'm willing.—Postmaster General JAMES A. FARLEY.

THERE is nothing the matter with world trade which a reasonable period of political tranquility throughout the world would not cure; our best contribution to it is a sound domestic economy.
—WILBERT WARD, Assistant Vice-president, National City Bank of New York.

Three Things to Do

W. HARVEY KYLE, Manager, Personal Loan and Finance Departments, Cleveland Trust Company, before the FLORIDA BANKERS ASSOCIATION.

MAY I pass on what seems to be the general opinion of bankers everywhere who have become experienced in the vast field of consumer credit. Commercial banks entering this field should do so predicated on three things:

First, be prepared to set up a department or system that can adequately serve the community. In other words, do not enter the business half-heartedly.

Two, if the market needs the services of your institution to the point where a special department is necessary, augment your own personnel by personnel experienced in consumer credit.

Finally, as far as possible have your directors, officers and personnel sold on the value of the business.

Premium Bonds

A. L. MILLS, JR., Vice-president, United States National Bank of Portland, Oregon, before the PACIFIC NORTHWEST BANKING CONFERENCE.

MATURE investment opinion is inclined to urge investing banks to avoid the purchase of premium bonds as far as is consistent with their investment programs, and where it

becomes advisable to acquire premium bonds to write them down through accelerated amortization or the application of reserves, as rapidly as practicable.

The matter of bond premiums and bond appreciation carries back to the capital exposure to which banks are now subjected by virtue of their heavy investment in securities. At today's market levels the presence in a bond account of a substantial appreciation over book values gives evidence of an absence of premium bonds in the bank's portfolio and ability to withstand unfavorable changes in the bond market, without damage to capital structure.

The creation of reserves sufficient to reduce the book value of a bank's bonds to par is recognized as sound practice.

A Spaced Maturity Program

HENRY M. BODWELL, Standard Statistics Company, before the FIFTH FEDERAL RESERVE DISTRICT BOND CONFERENCE at Richmond, Va.

I KNOW it is physically impossible for any or all of you to go back to your banks and install overnight a program for the complete solution of your investment problem.

I know you have a sub-standard bond problem. I know you have an acute income problem.

As an ultimate goal to aim toward, however, a spaced maturity program in prime securities, gauged to your own particular needs, will go far toward meeting the ideal of the greatest possible income return with the greatest possible principal security at the lowest possible operating cost.

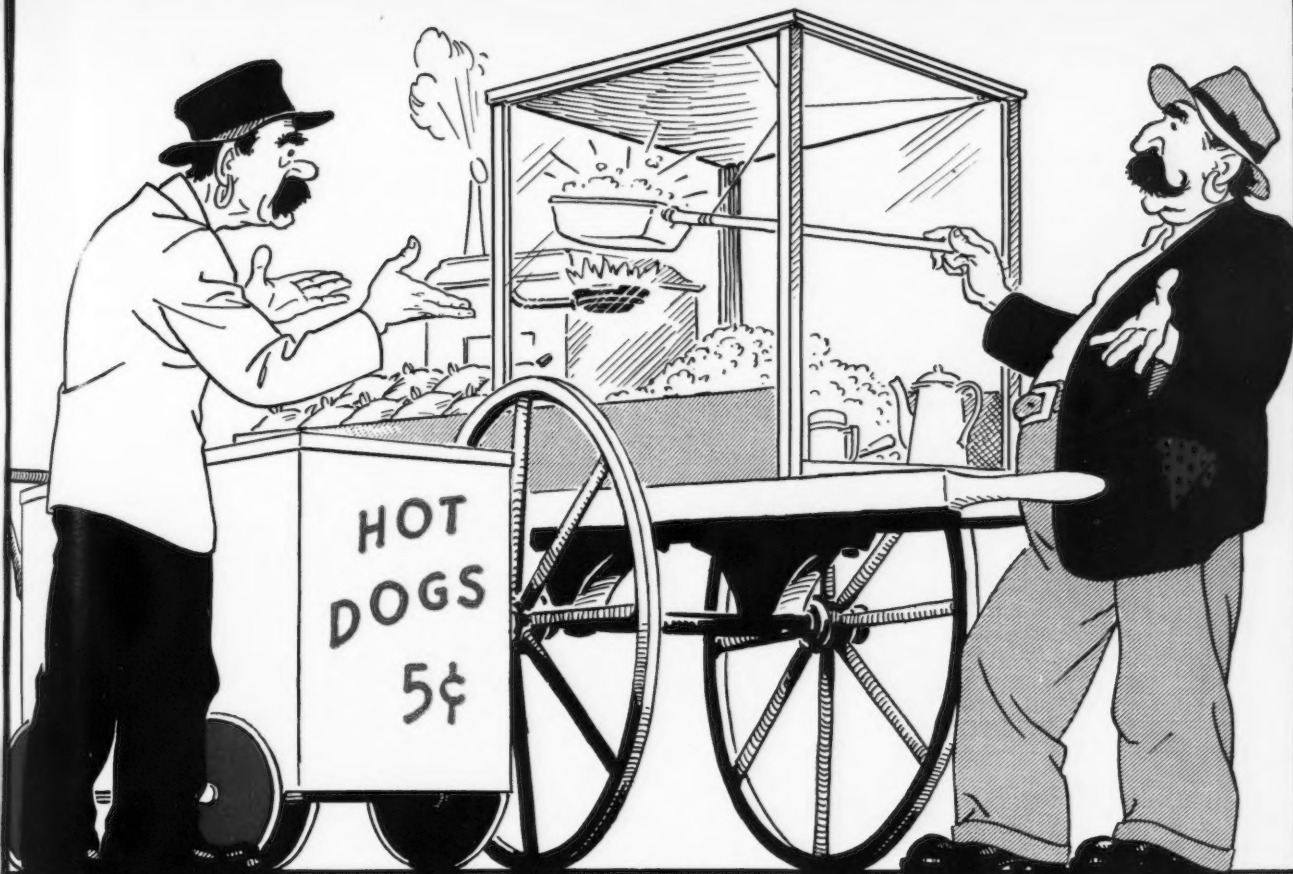
A Small-Business Country

W. J. CAMERON, Ford Motor Company, in a radio broadcast.

THE country's real business is small business. Of all businessmen who pay income tax, 96 per cent are small businessmen who earn less than \$25,000 a year—earn it and use it. We have about 210,000 industrial concerns; 145,000 of them are small concerns producing less than \$100,000 worth of goods a year—which everyone knows is a very small production. There are one and a half million retail stores; one and a quarter million of them are independent single-owner stores.

It is important to know this, but we cannot be said to know it as long as we think of *Big Business* when we hear *business* spoken of—as if business were great aggregations of capital, vast concentrations of mechanical power and famous industrial names. These do not comprise American business. Go around the country, observe things at first hand. Drop into the annual convention of the American Bankers Association, for example. You see 5,000 bankers in session. Famous men are there—heads of famous banks—but you could seat *them* in one row of chairs. The other 4,950 men (and a few women) are heads of country banks, small-town banks, small-city banks—the small bankers who carry on the bulk of the banking business for the bulk of the people.

This is a Small-Town and Small-Business Country. That is one phase of our democracy. There is strength and there is wisdom in large numbers of small interests working for the common purpose.



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